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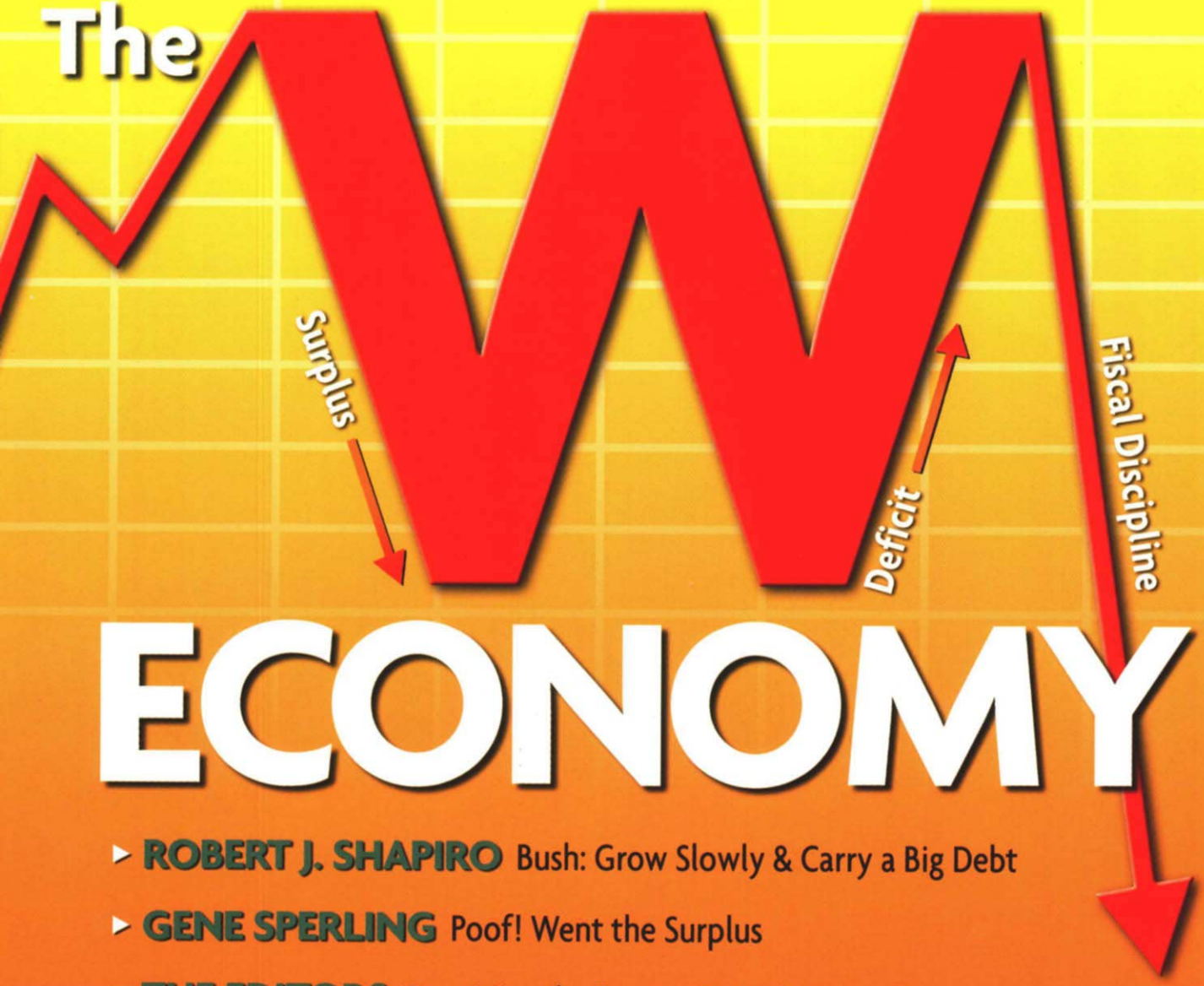
THE NEW DEMOCRAT

BLUEPRINT

IDEAS FOR A NEW CENTURY

The W ECONOMY



- **ROBERT J. SHAPIRO** Bush: Grow Slowly & Carry a Big Debt
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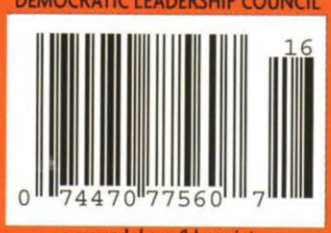

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Fuzzy Accounting

If journalism is the first rough draft of history, policy journals are the second. In that spirit, we examine in this issue some recent history: President Bush's elusive economic management plan and the poof-like disappearance of the historic budget surpluses of the 1990s. It is not reading for the faint-hearted.

In "Who lost the surplus?" former White House economic adviser Gene Sperling points out that a set of critical policy choices by President Bush in his first months in office have gobbled up $5 trillion of the $5.6 trillion projected budget surpluses for the coming decade. A big chunk of that was knocked off the books by the skewed-to-the-rich tax cuts of 2001. Sperling predicts that the smallish leftover surplus will soon flop into a growing deficit.

That takes us effectively back to the deficit-ridden 1980s, when budget shortfalls were heaped up by the don't-tax-but-do-spend policies of Ronald Reagan, say our authors. That era left us with an explosive $3 trillion national debt and a sputtering economy. It was revived by the policies of, guess who, the New Democrat president, Bill Clinton, with an economic strategy based on fiscal discipline—an approach that seems to have gone out the window on Inauguration Day, 2001.

The "W" economy's fundamental flaw, argues former Commerce Undersecretary Robert S. Shapiro, is its reliance on supply-side economics. This amounts to a counterrevolution that replaces hard-nosed fiscal management with deficit spending and anti-competitive practices. The lesson of the last three decades, writes Shapiro, is that pretax economic performance affects investors' decisions far more than tinkering with the tax code—the exact opposite of the Bush administration's approach.

There is, of course, lots of politics in this, not to mention fuzzy math. The halo effect of the president's war leadership is covering many sins, especially fiscal ones. A big part of the problem, explains Progressive Policy Institute Senior Economist Jeff Lemieux, is that Bush's budgeteers fudge the numbers. They make surplus predictions based on dubious, lowball spending projections for defense and Medicare. Three small but realistic corrections in this fuzzy accounting and you're suddenly looking at no surplus at all, but a growing *deficit* over the next 10 years. Worse, the national debt explodes after 2012.

All of which should embolden Democrats to reassert themselves on a host of issues at the center of voters' economic concerns. Letting the administration get away with computational fibbing on critical fiscal issues serves no one's interest, not even the president's.

With this issue of BLUEPRINT, we say a sad farewell to Executive Editor Tom Mirga. After eight years at the helm of THE NEW DEMOCRAT, our former sister publication, and then with BLUEPRINT, Mirga has moved into another policy-shaping role in Washington. We wish him great success in that endeavor.

—Peter Ross Range

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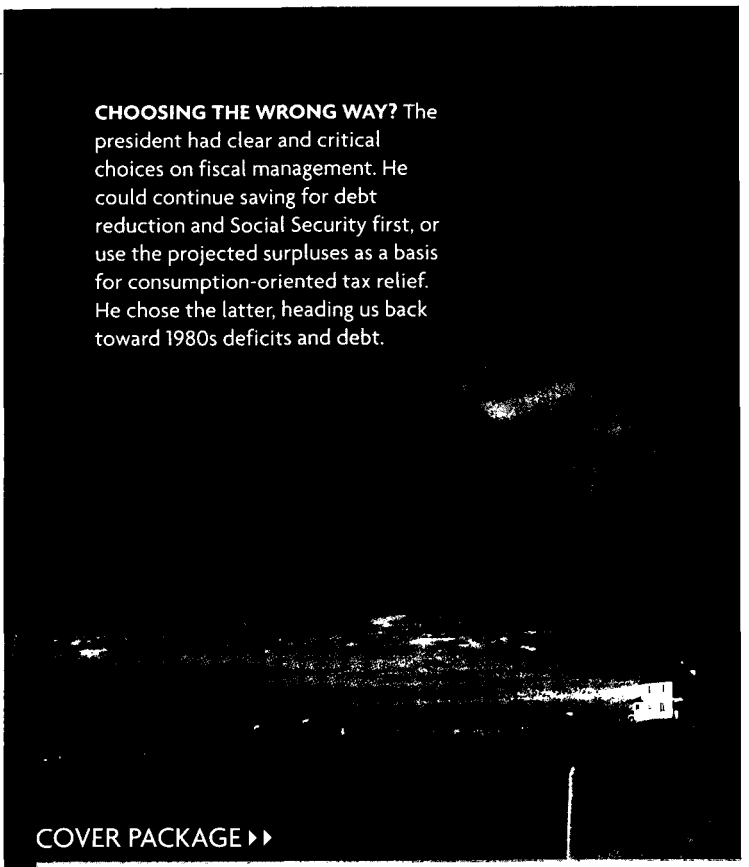

CHOOSING THE WRONG WAY? The president had clear and critical choices on fiscal management. He could continue saving for debt reduction and Social Security first, or use the projected surpluses as a basis for consumption-oriented tax relief. He chose the latter, heading us back toward 1980s deficits and debt.

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Regaining Ground On the Economy

Democrats must do a better job of connecting the dots between fiscal discipline and a robust economy.

by **The Editors**

A strange thing happened in American politics at the end of 2001 and the beginning of 2002. Even as the economy went into recession, and trillions of dollars of anticipated federal budget surpluses vanished, President Bush moved decisively ahead of congressional Democrats in every public opinion survey about management of the economy and the federal budget. While Bush's record has been a mixed bag, W-nomics has been playing pretty well as a political pitch.

This paradoxical development may partially represent a spillover of support for the president's conduct of the war on terrorism. But the public remains skeptical of his stands on other domestic issues, such as health care, energy policy, and protecting the environment, so his position on economic matters is hardly impregnable. Perhaps the most troublesome sign for Democrats is that not only the president, but also Republicans in Congress, have begun moving ahead of their Democratic colleagues in measurements of public confidence in their views on the economy and the budget.

Democrats who expected to use their superior credentials on fiscal and economic issues to counter Republican strength on defense and foreign policy in the 2002 congressional elections have been surprised and somewhat confused by this development. And some are seizing on the burgeoning Enron scandal as a way to cast a new light on the Bush administration's championship of privileged interests in its tax, budget, and regulatory policies.

In our view, Democrats need not sacrifice their principles or succumb to scandalmania to regain the high ground on economic issues. Instead, they should rise to the occasion by focusing on two key challenges.

First, Democrats should hold Republicans accountable for economic and budgetary mismanagement while promoting fiscal responsibility and long-term growth, not taxing and spending.

To be sure, Democrats have tried to dramatize the sharp disjunction between the enormous economic boom and huge budget surpluses of the Clinton years and the slow growth and looming budget deficits the country now faces.

But congressional Democrats suffer from a credibility problem on this score. In part because so many Democrats, especially in the House, opposed key elements of President Clinton's domestic policies, they never earned the reputation for sound economic and fiscal management that Clinton gave to the party. Thus, it's been relatively easy for President Bush and Republicans to revive public fears that congressional Democrats want to boost taxes and spending and bring back the era of big government. Even as they systematically dismantle the Clinton administration's remarkably successful economic and budget polices, Republicans have been able to make themselves look like a safer bet for balanced budgets and long-term growth.

This means Democrats have to do a vastly better job of connecting the dots in economic and budget policy. They must patiently explain the formula that produced the Clinton boom and booming surpluses, patiently document its abandonment by the Bush administration, and patiently offer the public a clear choice between a revival of '90s prosperity and a return to the big deficits, stagnant living standards, and intermittent recessions of the Reagan-Bush years. But Democrats must also show their own fidelity to the gospel of growth and fiscal responsibility by strictly avoiding the temptation to promote indiscriminate increases in federal spending.

This does not mean Democrats have to give up their public-sector activism or accept the Bush tax cuts as permanent. But it means that both spending and tax proposals need to be carefully and systematically connected to an agenda for reviving long-term economic growth and equipping Americans to succeed in the New Economy. This is an agenda with which Republicans cannot compete, because they do not believe government can contribute anything to prosperity other than by cutting taxes and getting out of the way.

Second, Democrats should respond to the Enron disaster and other examples of special privileges run amok with a sustained agenda for government reform, corporate responsibility, and empowerment of Americans with the tools they need to succeed in the New Economy.

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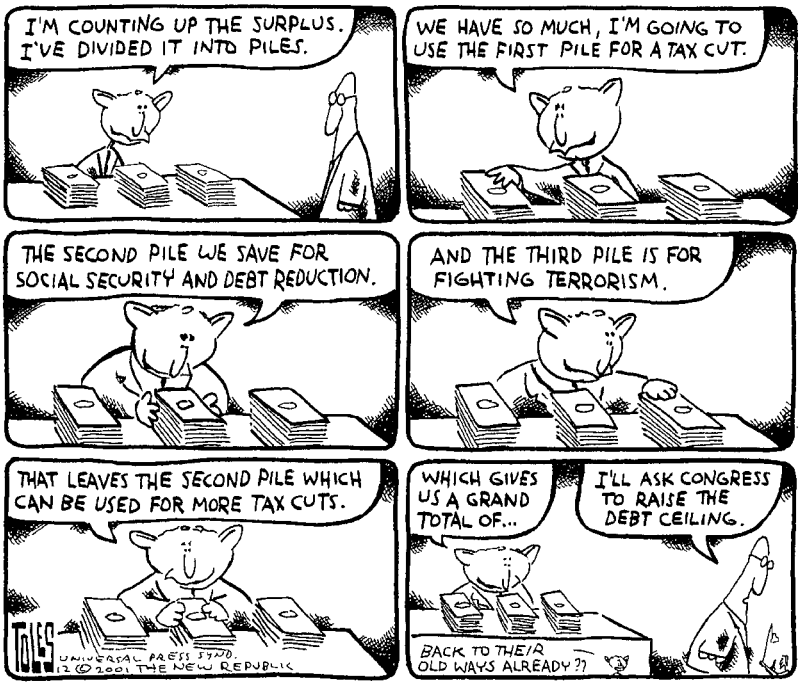
I'M COUNTING UP THE SURPLUS. I'VE DIVIDED IT INTO PILES.
WE HAVE SO MUCH, I'M GOING TO USE THE FIRST PILE FOR A TAX CUT.
THE SECOND PILE WE SAVE FOR SOCIAL SECURITY AND DEBT REDUCTION.
AND THE THIRD PILE IS FOR FIGHTING TERRORISM.
THAT LEAVES THE SECOND PILE WHICH CAN BE USED FOR MORE TAX CUTS.
WHICH GIVES US A GRAND TOTAL OF...
I'LL ASK CONGRESS TO RAISE THE DEBT CEILING.
BACK TO THEIR OLD WAYS ALREADY??
TOLES
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There's no question the Enron mess, and its close proximity to the Bush administration, is a true scandal that highlights a potentially important point of vulnerability for the GOP, and even for the president. After all, George W. Bush carried two lingering negative perceptions into office in January 2001: that he might not be able to handle a big foreign policy crisis, and that he was entirely too cozy with favor-seeking special interests. While the first vulnerability is gone forever, the second remains and has been placed on the front page of every newspaper by his buddies at Enron.

Moreover, while the Enron case seemed to come from out of the blue, it represents a real and much broader problem for the administration: its genuine and systematic abandonment of the libertarian strain of conservative ideology in favor of a frank favoritism toward big business in a wide array of public policy areas, from energy and the environment to trade, taxation, and workplace issues.

To deal with Enronitis, Democrats should champion real competition in the private sector. Government has a critical role to play to ensure that capitalism works the way it is supposed to work, and that genuinely innovative entrepreneurs are not crushed by businesses that stack the deck and pursue special privileges. Ensuring corporate responsibility—toward investors, employees, consumers, communities, and toward the law itself—is the most genuinely pro-business and pro-growth stance possible.

While Democrats are right to champion the cause of employees who lose jobs, pensions, and dreams while derelict managers bail out with golden parachutes, the broader challenge is to champion reforms that give middle-class Americans real control over their economic destiny, even if their bosses foul up or shut down. Enron provides an excellent occasion for a comprehensive agenda to "expand the winner's circle" of Americans prepared to succeed in the New Economy, through portable pensions and health insurance, constant opportunities for better education and skills training, and access to wealth-building assets.

And finally, Democrats can and should respond to the Enron mess by forcefully demanding reforms to clean up the cozy relationships between moneyed interests and government. They should go beyond the McCain-Feingold legislation banning "soft money" contributions and promote a combination of free advertising time for candidates and voluntary public financing of all federal elections. As new forms of corporate welfare pop up in every domestic policy proposal of the Bush administration, Democrats should push for ridding the federal budget and revenue code of corporate subsidies. One promising approach, first offered in 1994 by former Progressive Policy Institute Vice President Robert Shapiro, is to create a commission that would send a single comprehensive list of corporate subsidies to Congress, which would then act on them through a simple up-or-down vote. This was the secret of the successful military base-closing commissions of the early 1990s, which made it possible to view Pentagon pork from a national rather than a local perspective.

One of the enduring lessons of the 2000 presidential campaign is that anti-government populism trumps anti-corporate populism. To put it another way, the one thing the American people loathe more than robber-baron Big Business is paternalistic Big Government. Democrats should not treat Enron as just another cartoon villain in a heavy-handed attack on American businesses. Nor should they adopt a Ralph Nader-style agenda to bring back every imaginable form of Industrial Age regulation.

BLUEPRINT's cover package on **The Economy** begins on page 14.

An economic agenda that calls for reviving long-term economic growth, restoring fiscal discipline, requiring corporate responsibility, equipping Americans to succeed in the New Economy, fostering real competition and innovation in the private sector, and reforming the tainted political system will be more compelling than efforts to appeal to voters with new government benefits or to rile them up against Daddy Warbucks. A progressive economic agenda that applies the successful strategy of the 1990s to the challenges of a new century will also provide the high ground from which to illustrate graphically the threadbare arguments and dangerous consequences of W-nomics. Democrats should rediscover one of their oldest mottoes, first articulated by Andrew Jackson: equal opportunity for all, special privilege for none. ◆

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An about-face on national service

President Bush takes this New Democrat idea to the front lines. *by* **Marc Magee** *and* **Tom Mirga**

President Bush's embrace of national service in his State of the Union address all but guarantees congressional action later this year on a signature New Democrat idea. To New Dems, the president's new position represents a breakthrough for those who believe that citizens who get something from government have a reciprocal responsibility to give something back.

But Bush's new-found religion on national service is a sharp reversal of decade-long attacks by Republicans in Congress, and of the indifference shown to the idea by his own father while in office. It is also a recognition of the growing popularity of the bipartisan national service bill put forward last November by DLC Chairman Sen. Evan Bayh (D-Ind.) and Republican Sen. John McCain (R-Ariz.).

Although Bayh and other New Democrats welcomed Bush's rhetorical embrace of national service, the Bush plan itself is underwhelming. The 200,000 new AmeriCorps and Senior Corps members touted by the president in his speech are weighted heavily toward part-time volunteerism. The president provides funding for only 25,000 new full-time AmeriCorps members; the difference is made up by 75,000 unpaid volunteers and 100,000 part-time senior volunteers working as little as four hours per week.

HELPING HANDS: AmeriCorps could see a boost in its ranks soon, though the Bush plan calls for more unpaid volunteers instead of funding them full time.

While the Bayh-McCain bill provides funds for 200,000 new full-time AmeriCorps positions, with 100,000 dedicated to homeland security, the burden of homeland security in the Bush proposal falls on part-time volunteers trained under a program called Citizen Corps. While over half of the funds in the Bayh-McCain bill (co-sponsored in the House by Tennessee New Democrat Rep. Harold Ford and Nebraska Republican Rep. Tom Osborne are dedicated to expanding opportunities for military service, the Bush plan is silent on this most fundamental form of national service.

But the Bush proposal's linkage of national service to homeland defense, and its focus on promoting democracy abroad struck exactly the right tone at the right time, say New Democrats. After all, national service was a cornerstone idea of the Clinton presidency. "The American people are looking for ways to serve, and we will work with the president to harness this outpouring of patriotism to meet the country's needs for civil defense and civic renewal," said Bayh. ●

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theFACTS

The Best and Worst Colleges for Community Service (see Guest Column on page 13)

Percentage of federal work-study aid devoted to community service. All schools are four-year institutions and receive at least $250,000 in aid.

The Top 10 || *Public Schools*

1. University of California-Riverside	51%
2. University of Texas-Dallas	49.8%
3. University of South Alabama	47.1%
4. California State University-Sacramento	44.5%
5. University of Nevada-Las Vegas	42.1%
6. Texas A&M University-Commerce	38.4%
7. Missouri Western State College	37.4%
8. University of North Carolina-Wilmington	37%
9. Kent State University	36%
10. Augusta State University	34.4%

The Top 10 || *Private Schools*

1. Florida Memorial College	59.2%
2. Case Western Reserve University	40.9%
3. Nova Southeastern University	38.4%
4. Antioch University	36.7%
5. University of the Pacific	32.3%
6. Bayamon Central University, Puerto Rico	31.8%
7. Radcliffe College	31.6%
8. Oberlin College	30.3%
9. Gonzaga University	28.6%
10. Golden Gate University	27.9%

The Worst 5 || *Public Schools*

1. Southern University-A&M College	0.6%
2. Central Missouri State College	1.2%
3. South Carolina State University	1.2%
4. University of Central Oklahoma	.2%
5. University of North Texas	2.8%

The Worst 5 || *Private*

1. College of the Holy Cross	0.6%
2. George Fox University	1.1%
3. Midwestern University	1.7%
4. Warren Wilson College	1.8%
5. Massachusetts Institute of Technology	1.9%

Based on "Other College Rankings," *The Washington Monthly*, Jan./Feb. 2002.

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Rocky Delgadillo on community prosecution

BP > Could you briefly describe what community prosecution is and explain how it differs from standard practice?

RD: The principal difference is twofold. First, we're bringing government to the neighborhoods, not the other way around. And second, community prosecution is proactive in seeking to improve the quality of life for citizens. In "regular" prosecution, we wait for crimes to happen and then we respond. But this way, we go to the community, ask them what their concerns and issues are, and develop a proactive strategy together with the police to prevent the problem from ever occurring. For example, let's say a neighborhood is having a problem with graffiti. We'd enlist the support of the police, maybe employ heightened surveillance or cameras, and in that way prevent graffiti from ever occurring. It's really the "broken windows" theory. What others might call low-level crime, I call crime, period. If we can prevent these types of crimes from occurring, we might be able to prevent more serious crime in the future.

BP > Exactly what will each of the 18 neighborhood prosecutors do? How will this change how they do their jobs?

RD: Most prosecutors begin and end their day in court. Now, maybe they'll still begin their day in court but end their day in a community meeting that lasts into the wee hours of the night. Their job is to connect with the ultimate client they serve, namely, the people of California. Again, it's a way to connect with and respond to people's concerns. I consider this an elite unit. It takes a special kind of person, someone with strong prosecutorial skills who, at the same time, is able to listen. We're doing our best to pick from among the best.

BP > Did you encounter any resistance to the change, either externally or internally?

RD: We certainly had to educate people. But overall we met with very little resistance, other than the fact that we are now in a very different budget situation after Sept. 11. The challenge is to convince people to make an investment at a time when we have a budget shortfall. But this truly is preventive medicine. At the end of the day, I expect we'll actually increase the revenues to the city of Los Angeles.

BP > Do you foresee expanding this effort to include parole, juvenile justice, and other elements of the justice system?

RD: We might in certain instances. For example, we'll certainly coordinate with the probation department and other agencies that normally coordinate with the prosecutor's office. Efforts to suppress gang activity are another example. By getting out into the neighborhoods, we can help bring a comprehensive anti-gang program to their community. Now, we spend a lot of time chasing gang members from one neighborhood into the next. I'd like to start chasing gang members out of gangs and into opportunities. To do that, you need to get the private sector to come in and invest in poor communities. If you provide young people in communities an opportunity for a better life, it can have a snowball effect.

Los Angeles City Attorney ROCKY DELGADILLO plans to assign a neighborhood prosecutor to each of the city's 18 police districts.

BP > In other cities and states, community prosecution is typically employed in tandem with community policing. What's the status of community policing in Los Angeles today?

RD: We wouldn't have gone forward if we did not have the full commitment of the Los Angeles Police Department. We've gotten wonderful support from [Police Chief Bernard Parks]. The department is dedicating a senior police officer in each of the 18 districts to work with our neighborhood prosecutors full time, so that alone will help bring back community policing to the neighborhoods. In the longer run, we hope that this might bring about an even bigger increase in community policing in Los Angeles.

BP > What advice do you have for other city attorneys and officials around the country who are thinking about implementing a similar community prosecution strategy?

RD: "Go, don't wait," is the short advice. Individuals interested in this approach should take time to listen to the people in the community and the neighborhoods. If they do, they'll find that this is exactly the kind of service they want from their local prosecutors.

– Interviewed by Tom Mirga

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Cathy Cox

Making votes count in Georgia. > *by* **Kate Herman**

In the days following the 2000 presidential election, officials in a Southern state declared more than 94,000 ballots invalid due to voter error.

But the state wasn't Florida, where such inconsistencies made headlines for months and kept the outcome of the presidential election in doubt. Rather, the 94,000-plus votes were invalidated in Georgia. Roughly 3.5 percent of the state's presidential votes had to be discounted—a higher rate of voter error than even in the Sunshine State.

"We were startled," New Democrat Secretary of State Cathy Cox says of the discovery. A county-by-county assessment prompted by the debacle in Florida revealed a consistent pattern of voter error across Georgia. "In working elections in the past, I could see how people could make mistakes very easily," Cox says, "but I never imagined the magnitude of it. We needed to do something about it."

> "If [voters] lose confidence in the election process, they will lose confidence in the people they elected." —*Cathy Cox*

Cox spent the next 10 months searching for an affordable and more accurate voting system that could help restore citizens' confidence in government and the electoral process. Thanks to her efforts, Georgia is poised to become the first state to switch entirely to electronic voting equipment. By November, 18,000 direct record electronic (DRE) voting machines will replace lever machines, punch cards, and other outdated technologies in all voting precincts in Georgia's 159 counties.

"If [voters] lose confidence in the election process, they will lose confidence in the people they elected," says Cox, who testified before the U.S. Senate Commerce Committee during the spring of 2001 about the unreliability of punch-card voting systems and error-prone optical scanning machines.

Under Cox's direction, Georgia experimented with six types of electronic voting equipment during its November 2001 elections. It settled on the DRE system, which won a 95 percent approval rating from voters who used it. Cox then approached New Democrat Gov. Roy Barnes about paying for full-scale implementation, which she estimated at $60 million.

"Our idea was to ask for funding in thirds so we could have the entire system in place by the 2004 presidential election," Cox says. "But lo and behold, Governor Barnes decided we ought to move right ahead and do it this year—why wait?"

The Barnes administration approved issuing $54 million in bonds to finance the project, and Cox expects to announce the winning bid on a contract to supply the machines by the end of March. That leaves time to install the machines in the state's 3,000 voting precincts by the fall and to begin educating all voters on how to use the new equipment.

"During our trial run, we proved a lot of naysayers wrong about the ability of our seniors" to use the new equipment properly, Cox says. "Because we did such a thorough job of voter education and got the machines out to senior centers and churches and malls and pharmacies, where they can look over the machines while waiting in line, they realized just how easy the machines are to use."

Cox notes that many of her fellow secretaries of state have contacted her about introducing similar equipment in their own states. "It's easy to use and to program, but until they see it, a lot of people are afraid to jump out and do it," Cox says. "I hope our experience will show them that it is possible, and it can be done on a short time frame." ◆

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Juan Vargas

Nearly half of all school-age children in California come from low-income working families. For many of their parents, arranging quality care for kids before or after the school day can be both tough and expensive. But New Democrat State Assemblyman Juan Vargas of San Diego is leading the charge to expand options for such families through the city schools' 6-to-6 Program, which he championed and hopes to take statewide.

Assemblyman Juan Vargas
California

It uses credentialed teachers and community volunteers to give struggling working-class students a boost—and their parents a break.

"We found out a lot of working families needed to get their kids in some sort of after-school program," recalls Vargas, a former San Diego city councilman and deputy mayor. "We thought there had to be some way to enhance the children's literacy and overall school performance as well as letting them play and get their energy out."

The extended-day program was inaugurated in San Diego's poorest communities and later expanded to working-class suburban schools. If the program goes statewide, Vargas wants its original focus on working families to remain.

"The parents have to have a job, because we didn't want it to become an after-school program for people who have some other social assistance," he explains. "With limited funds, we had to make choices—and we chose those who were willing and wanted to work."

Vargas, who briefly studied to become a Catholic priest before earning a law degree from Harvard, has a record of taking reforms he spearheaded in San Diego statewide. A bill he sponsored in the Assembly to keep smokers away from public playgrounds, patterned on an ordinance he introduced in San Diego, became state law on Jan. 1. –KH

Paul Grogan

As president of the Boston Foundation, Paul Grogan has often challenged the status quo. For instance, one of his first steps with the philanthropic group was to recommend that it begin supporting local charter schools.

"Choice creates a climate of reform," says Grogan. "There is no question that the existence of alternatives will speed up reform in the existing public schools themselves and will boost local interest in those schools."

Paul Grogan
President, Boston Foundation and CEOs for Cities

In addition to his work with the foundation, Grogan is the president of CEOs for Cities, a national organization consisting of clusters of community leaders, university administrators, and business executives. Its aim, he says, is to unite a city's business, political, and academic sectors to maximize economic opportunities. The group encompasses 12 cities now and continues to expand.

"We wanted to deepen the personal relationships among these different sectors, which often are very episodic and project-related," Grogan says. "We really need to harness the power of universities, which tend to be economically stable units, particularly in this time of economic uncertainty."

"In any [participating] city," he continues, "people are putting their heads together to talk about issues, and that's a big deal—we're making them think," Grogan says. "We're counting on being catalytic, and that's exactly what's happening." –KH

Gary Locke

Washington state is justly renown as an incubator for new technology. Now, with the national and state economic outlook brightening, New Democrat Gov. Gary Locke is working to keep that tech-savvy reputation intact. Last October, he joined with state and local leaders to formally launch the Institute of Technology at the University of Washington-Tacoma, which integrates community and technical colleges with the university to provide state residents with comprehensive technical training.

Gov. Gary Locke
Washington state

"In Washington, industry's demand for computer and software systems engineers has weathered the economic storm better than many other fields," Locke says, "and it is expected to grow strongly as the economy recovers."

extras New Democrats Online NDOL.org Search: Extra Locke

The technology institute has its roots in a program that opened in the fall of 1999 with just 30 students. Since then, the program has served more than 120 students annually, and its enrollment could double by 2004.

The institute is guided in part by Locke's Washington Competitiveness Council, a consortium of local business and government leaders he created in 2001. Among the council's recommendations is an increase in bachelor's degree- and advanced degree-holders in science and engineering.

Locke says other governors thinking about implementing similar programs should first identify "industry clusters" that are strategic to a region's economic future. These clusters can "contribute time and money [that] supplement state resources in a time of tight budgets [and] serve as a reality check," Locke says. They also can give the community "a stake in the success of the program."–KH

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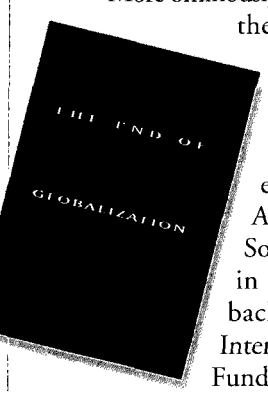
BOOKS ▸▸

The End of Globalization: Lessons from the Great Depression ||

by Harold James • Harvard University Press • 260 pp. • $39.95

Proponents and detractors of economic globalization often treat the trend as a juggernaut that can be nudged in one direction or another, but not stopped. In his new book, Princeton history professor Harold James reaches a more pessimistic conclusion. He fears we may be repeating a historical cycle in which "highly developed and highly integrated international communities dissolve under the pressure of unexpected events."

The Great Depression, he notes, was the result of the collapse of three main components of global economics: capital flows, trade, and international migration.



More ominously, he sees parallels to the roots of the Depression in today's "casino capitalism" that led to the meltdown of economies from Asia to Russia to South America, and in the resultant backlash against the International Monetary Fund and World Trade Organization.

"Globalism fails because humans and the institutions they create cannot adequately handle the psychological and institutional consequences of the interconnected world," James writes. "Institutions ... created to tackle the problems of globalization ... become the major channels through which the resentments against globalization work their destruction."

James does not foresee another depression. But he fears that the present course of globalization could lead to a resurgence of protectionism and strident nationalism that threatens international peace and prosperity.

Where to get it: www.hup.harvard.edu and major online booksellers

of the ▸▸ Every Friday on NDOL.org

Opening College Doors for Low-Income Teens

Millions of low-income minority teenagers who have the smarts to succeed in college never apply for admission. Other low-income, academically "mid-tier" students file weak or incomplete applications or pick the wrong schools. And many who do enroll have enormous trouble adjusting to college and drop out.

Since 1993, the nonprofit group College Summit has been helping high school students in Chicago, Denver, Washington, D.C., and Florida navigate the college application process. The group has helped more than 3,000 kids so far and will expand this year into California, Texas, and West Virginia.

College Summit holds intensive, four-day residential workshops for low-income high school students at college campuses. While they are there, the students get help writing essays and completing applications. They also receive personalized academic counseling, and learn about college life and strategies for adjusting to it.

College Summit helps teachers, counselors, and community volunteers in low-income schools fill the mentoring role that college-educated parents fill for their own children in more affluent communities. The group notes that low-income kids in the middle of the academic pack lack the extensive support networks—schools, parents, alumni, and community groups—that higher-income mid-tier students possess. These typical low-income students also are rarely "fast tracked" for college as low-income prodigies are.

Nearly 80 percent of students involved with College Summit have enrolled in college, and of that group, 80 percent have remained enrolled. Each summer dozens of students who personally benefited from the program return as junior counselors at their local workshops. The group has won grants from the federal Education and Justice departments, and awards from the National Association for College Admission Counseling and Ashoka, an international nonprofit group that seeks out and invests in "social entrepreneurs."

For more information, visit the group's Web site at www.collegesummit.org.

The Radical Center: The Future of American Politics ||

by Ted Halstead and Michael Lind • Doubleday • 264 pp. • $24.95

Not that long ago, the phrase "radical center" was considered an oxymoron in American political circles. Extremes are radical by definition, right? What, if anything, could be *less* radical than centrism?

But as Ted Halstead and Michael Lind make clear in their book-length manifesto, heartless conservatism and bleeding-heart liberalism are out. The center is now the center of attention in U.S. politics.

"The future of American politics," they write, "may well belong to the major party that is first to embrace a new Radical Centrist agenda." And the agenda they propose is radical, indeed: national equalization of school finance, a national consumption tax to replace state sales taxes, an end to the home mortgage deduction, an endowed savings account for every baby born in America, and the abolition of the corporate income tax.

Where to get it: www.randomhouse.com/doubleday and major online booksellers

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A Diary of the Progressive Opposition

>> FUZZY MATH

Enron	⇩	Greatest swindle in history sends Washington to reform school. White House's fear: Turn "E" on its side, and you get "W."
Surplus	⇩	Plummeting Social Security surplus throws baby boom out with the bathwater. With phony revenue projections and soaring off-the-books debt, Republicans finally get government to run like the private sector.
Deficit	⇧	Bush oversees fastest growing deficit in 50 years. Best series on Clinton White House: NBC's "The West Wing." Best series on Bush White House: Fox's "That '80s Show."
Economy	⇩	Once again, Republicans take anti-Clintonism too far. With unemployment up 2 million since his election, Bush can say, "Give me eight years, and I'll eliminate all 22 million jobs Clinton created."
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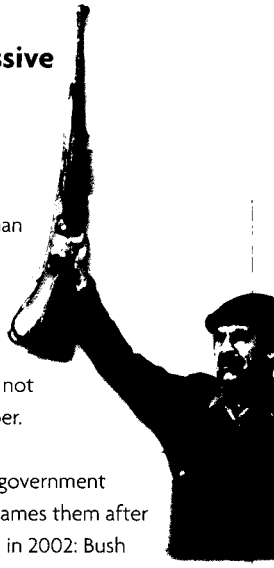
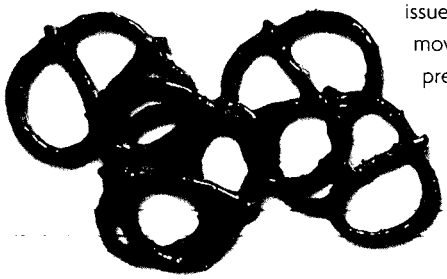
National Service	⇧	Bush backs AmeriCorps, says Republicans were just kidding all these years. Dick Armey to White House: Service this!
Homeland Security	⇔	Bush says the ability to feed ourselves is a national security issue. Next move: bomb pretzel factories.





DIGIgov

Best practices from the world of online government

In a closely watched experiment, **the nation's first "cyber-court" is expected to go online in Michigan** this October.

Under legislation signed by Gov. John Engler in January, parties to state lawsuits involving technology-related companies in which the contested amount exceeds $25,000 can opt to have their cases heard by specially selected, tech-savvy judges, without a jury. Practically all the business of the court will take place over high-speed Internet connections. Lawyers can file briefs online, argue cases by teleconference, and present their evidence via streaming video.

Participation is voluntary and defendants can have their cases transferred to a traditional court. But supporters believe the new "rocket docket" will be popular among technology businesses and will help attract more of them to the state.

The court's backers also hope it will serve as a model for bringing the state's entire litigation system online. As one Michigan county judge recently told the trade newspaper *Federal Computer Week*, "**The long-term benefit would be the further digitalization of our entire court system.**"

Additional information about the court is available on the World Wide Web at www.michigancybercourt.net. — Kevin Croke

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The insanity of work-study

Sept. 11 had a way of making us realize that certain long-accepted practices, such as hiring minimum-wage workers for airport security, were insane. Now we should turn that same what-were-we-thinking attitude on another obvious but little-noticed scandal: college work-study.

Every year, Uncle Sam spends $1 billion on the Federal Work-Study Program to help 1 million college students work off part of their tuition by washing dishes in the cafeteria, opening mail in the registrar's office, or signing out basketballs at the school gym. Of course, there's nothing wrong with students working in exchange for financial aid. But the original aim of the federal work-study law was not only to subsidize students' educations; it was also to enable them to give something back to the country—by tutoring poor kids, building low-income housing, or teaching English to immigrants. If it were being run as intended, the program would be the largest national service endeavor in the nation, dwarfing the 50,000-member AmeriCorps program. Instead, it has been perverted under a variety of excuses into a source of cheap labor for colleges and universities.

Students themselves are often eager to serve. The problem is that the average college devotes less than 12 percent of its work-study funds to community service—with America's "best" colleges often performing the worst. In the January-February issue of *The Washington Monthly*, Joshua Green examined the 3,300 colleges and universities that participate in the federal work-study program (www.washingtonmonthly.com). He found that of the top 20 liberal arts schools (as ranked by *U.S. News & World Report*), 70 percent failed to reach even the 12 percent average. The top 20 universities did even worse—75 percent trailed the average (see page 6).

Many jobs that schools count as community service, taxpayers might not. One university labels jobs on the school's golf course as "community service." Another gives work credit to students who toil in the campus art museum—since the museum is open to the public. Florida Memorial College in Miami counts students who answer phones in the school's admissions office. "Once the student picks up the phone," says its financial aid director, "it's community service."

New Democrats have been trying for years to get work-study students out of the cafeteria line and into the community. In 1989, former Sen. Sam Nunn (D-Ga.) proposed that all work-study aid be tied to community service. Three years later, former Sen. Harris Wofford (D-Pa.) sought to put the bar at 50 percent. The higher-ed lobby got the requirement watered down to 5 percent (it rose to 7 percent last year). Their reasons: Most colleges hate federal mandates, claim that new requirements would be administratively burdensome, accept the specious argument that community service somehow degrades work-study students, and even fear that community service could be turned into politically radioactive community activism, 1960s-style. All this is undercut by the fact that many schools manage to achieve high levels of participation in work-study community service (Stanford, 22 percent; University of California-Riverside, 51 percent).

In 1998, President Clinton vastly increased the work-study program, injecting more than $300 million into the program—an increase of nearly 40 percent—while attempting to tie half of this new money to *real* community service. However, he too was rebuffed by the higher education lobby, which threatened to withhold its support for reauthorization of the Higher Education Act. Though it pledged to vigorously support Clinton's goal of training 100,000 for the America Reads program, that number has never topped 30,000.

Modest though it was, the injection of more volunteers and tutors achieved real results. Recipients of America Reads tutoring have seen measurable improvement in their reading skills. And the program has a reciprocal effect: A recent UCLA study of 22,000 college students found that performing community service boosted everything from their grade-point average and writing skills to self-esteem and racial understanding.

In the wake of last fall's terrorism, Sens. Evan Bayh (D-Ind.) and John McCain (R-Ariz.) renewed the push for national service with legislation that, among other things, would raise the minimum work-study service requirement to 25 percent (and add teeth to enforcement). Not to be outdone, President Bush has proposed raising the bar to 50 percent.

The fight won't be easy. Colleges and universities are loath to give up the cheap labor. Few lawmakers are eager to support reforms opposed by colleges in their districts. But as with airport security, Sept. 11 really does change everything. Faced with the growing demand of Americans, especially young Americans, for opportunities to serve their country, lawmakers may come to see defending the current work-study program for what it is: insane. ◆

Paul Glastris is editor-in-chief of *The Washington Monthly* and a senior fellow at the Western Policy Center.

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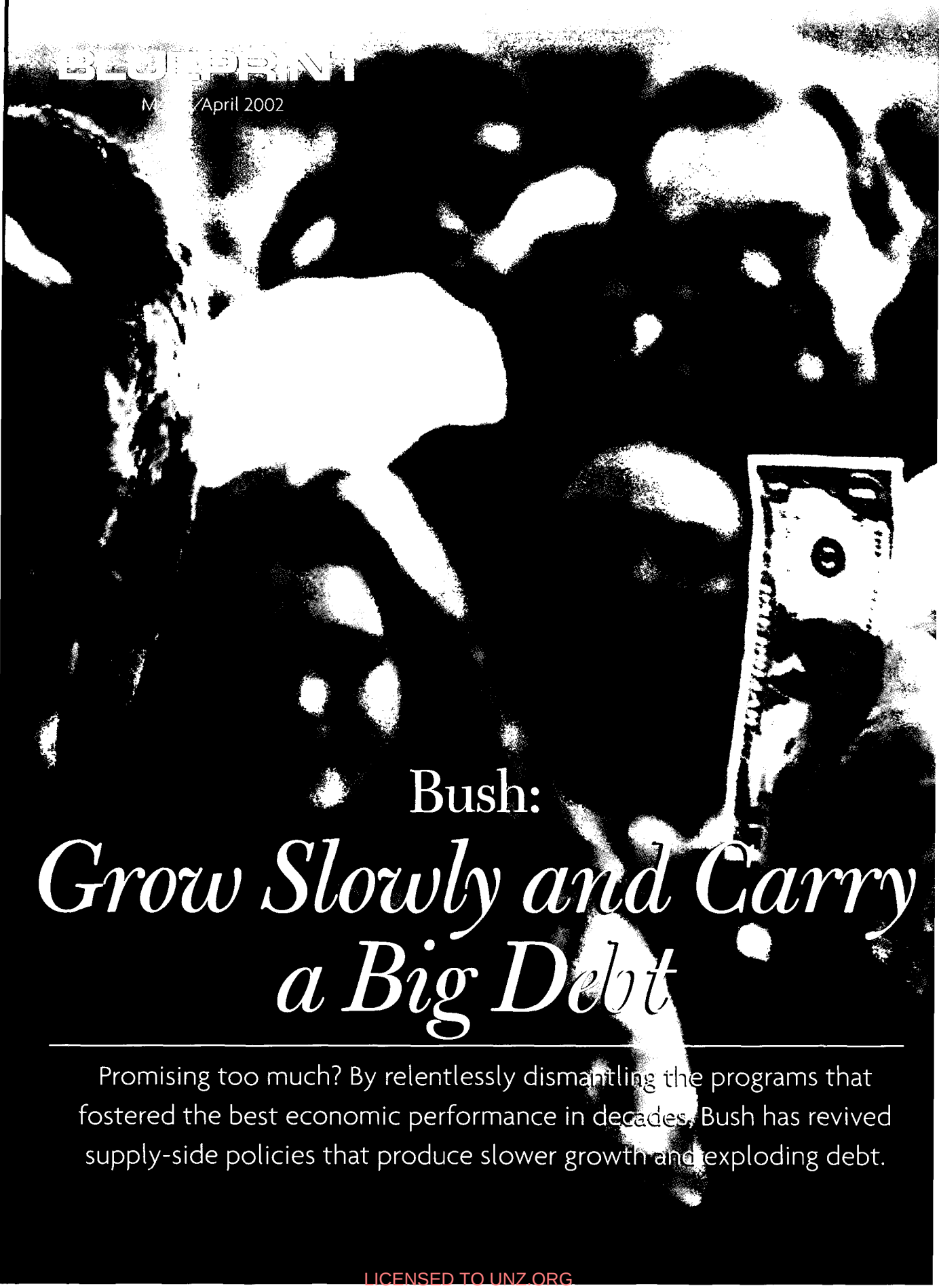

Bush: *Grow Slowly and Carry a Big Debt*

Promising too much? By relentlessly dismantling the programs that fostered the best economic performance in decades, Bush has revived supply-side policies that produce slower growth and exploding debt.

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by **Robert J. Shapiro**

When George W. Bush became president in January 2001, the American economy was showing some weakness and some strength, much as it had when Bill Clinton took office in 1993. This time, housing was strong, and retail and services were still healthy, but manufacturing was depressed, and business investment was falling. Coming off the record expansion of the 1990s, President Bush's first economic challenge was not to fine-tune the end of a successful cycle or change the policies that produced that success. His task was, and is, to ensure that when the next business cycle begins, the economy is able to generate the strong investment, job gains, business starts, and productivity advances that drove up American growth and incomes in the 1990s.

Instead, President Bush has led a counterrevolution, relentlessly dismantling the program that fostered America's best economic performance in three decades. In less than one year, he has revived the supply-side, big business-oriented program of the 1980s that produced slower growth, much more modest productivity gains and virtually stagnating incomes for average Americans. In so doing, he has replaced a mainstream, market-based approach to fiscal discipline, competition, and innovation with rising budget deficits, a partial retreat from open trade, and a wink and a nudge to anti-competitive practices by giant companies.

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To understand how wrong-headed this program is, we need to remember just what happened over the last decade. The driving forces of the great 1990s boom—muscular business investment and productivity, waves of technological and organizational innovation, seamless capital flows, and fast-rising incomes—grew out of economic imperatives and scientific dynamics, not politics. Yet public policies in the 1990s fostered an environment that actively encouraged private investment, ingenuity, and personal initiative.

Good luck also played a key role: Energy prices stayed low until 1999, the real price of information technologies fell sharply, a strong dollar and foreign currency crises drove down import prices, and managed care

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took the wind out of health-care inflation. The convergence of key technological advances in computer power and storage, data communications speed and capacity, and software power was also fortuitous. Beyond that, decades of progress in enhancing competition had produced an economy that was highly efficient, innovative, and flexible enough to take good advantage of low inflation and rapid technological progress.

Yet, policy decisions also made critical differences. Key initiatives to open domestic and foreign markets helped maintain competitive pressures to develop and deploy new technologies, along with unusually strong demand. These initiatives included the North American Free Trade Agreement; the Uruguay Round of GATT, including creation of the World Trade Organization; free-trade initiatives with the Caribbean Basin, Israel and Jordan; and hundreds of bilateral trade agreements. Continuing deregulation of telecommunications, including wireless spectrum, paired with tight antitrust supervision of giant information-technologies firms, reinforced falling prices to help keep business investment strong, especially in new technologies and new firms.

But the most critical policy shift was a sea change in fiscal policy. With a strong assist in 1990 from the first President Bush, President Clinton and a succession of Democratic and Republican Congresses spent a decade slowing the growth of federal spending to half its 1980s rate and rebuilding the revenue base eroded in the 1980s. When the 1990s began, the economy faced large and rising deficits for as long as anyone could reasonably forecast; by the decade's end, the budget deficit was gone and rising surpluses loomed as far as anyone could see.

Clinton boom. This was a historic turnaround not seen in more than a half-century. The shift to surpluses dramatically expanded the pool of domestic capital, fostering more business investment by reducing short-term borrowing costs. Credible expectations of future surpluses further spurred business investment by keeping down long-term borrowing costs. The improved fiscal climate also allowed the Federal Reserve Board to run more relaxed monetary policies, fueling demand, growth, and higher corporate-retained earnings for more business investment. And as business and consumer confidence rose, entrepreneurs became more willing to create new businesses, and entrepreneurial managers became more disposed to develop or deploy new products, methods and technologies. These forces came together to produce what can fairly be called the Clinton boom—more than a half-decade of strong growth, investment and income gains, accompanied by low inflation, falling unemployment, and declining poverty rates.

> "The signature economic policy, and **policy shift**, of the early administration is the sharp **U-turn** on the budget that has replaced the prospect of growing surpluses with **expanding deficits**."

Against this backdrop, the dimensions of the Bush counterrevolution are clear. The signature economic policy, and policy shift, of the early administration is the sharp U-turn on the budget that has replaced the prospect of growing surpluses with expanding deficits. Its underlying logic and precedent lie in the Reagan experiment, pressed on Mr. Bush by Lawrence Lindsay, his chief economic adviser since 1999 and an unyielding advocate of supply-side economics. Supply-side theory holds that fiscal discipline is a minor force, but growth can be assured when incentives to invest are increased by cutting the marginal tax rates on income and inheritances for high-income people, who have long dominated personal investment. In this view, the fiscal shift of the 1990s, which included higher tax rates on wealthy individuals, was unrelated to the strong investment, productivity and growth that followed.

History dealt a body blow to this theory. The lesson of the strong performance of the 1990s, and of its weaker counterparts in the 1970s and 1980s, is that the real economy and its pretax returns affect people's performance and incentives much more than the tax code. Investment and incomes grew much faster in the 1990s after the top tax rate increased, and in the 1950s and 1960s when the top marginal tax rate was 70 to 90 percent, than they did after the sharp income tax cuts of the early 1980s.

Though it's too early to know just how fast investment, productivity and incomes will grow as the president's multitrillion-dollar tax cut takes full effect, it's clear and certain that investors don't generally favor large structural deficits.

The cost of borrowing. One of the key factors for investment rates is the price of long-term business borrowing. In the 1990s, long-term interest rates trended downward—became less expensive—even as growth accelerated. This dynamic reversed itself after Congress approved Mr. Bush's program. Even as the Federal Reserve repeatedly pushed down short-term interest rates last year to combat the slowdown, the cost of long-term borrowing went up. For example, while the yield on six-month Treasury bills fell from 5.7 percent in December 2000 to 1.8 percent in December 2001, the yield on 20-year securities rose from 5.6 percent to 5.8 percent.

The rising cost for business to borrow long-term is not surprising, given the difference between the budget picture projected in May 2001—before the Bush budget program passed—and the deficits now expected. For example, a $400 billion surplus projected last year for 2004 has now become a small projected deficit. The implications of a $400 billion shift in the fiscal balance, considered against a backdrop of business investment, are huge. The $400 billion

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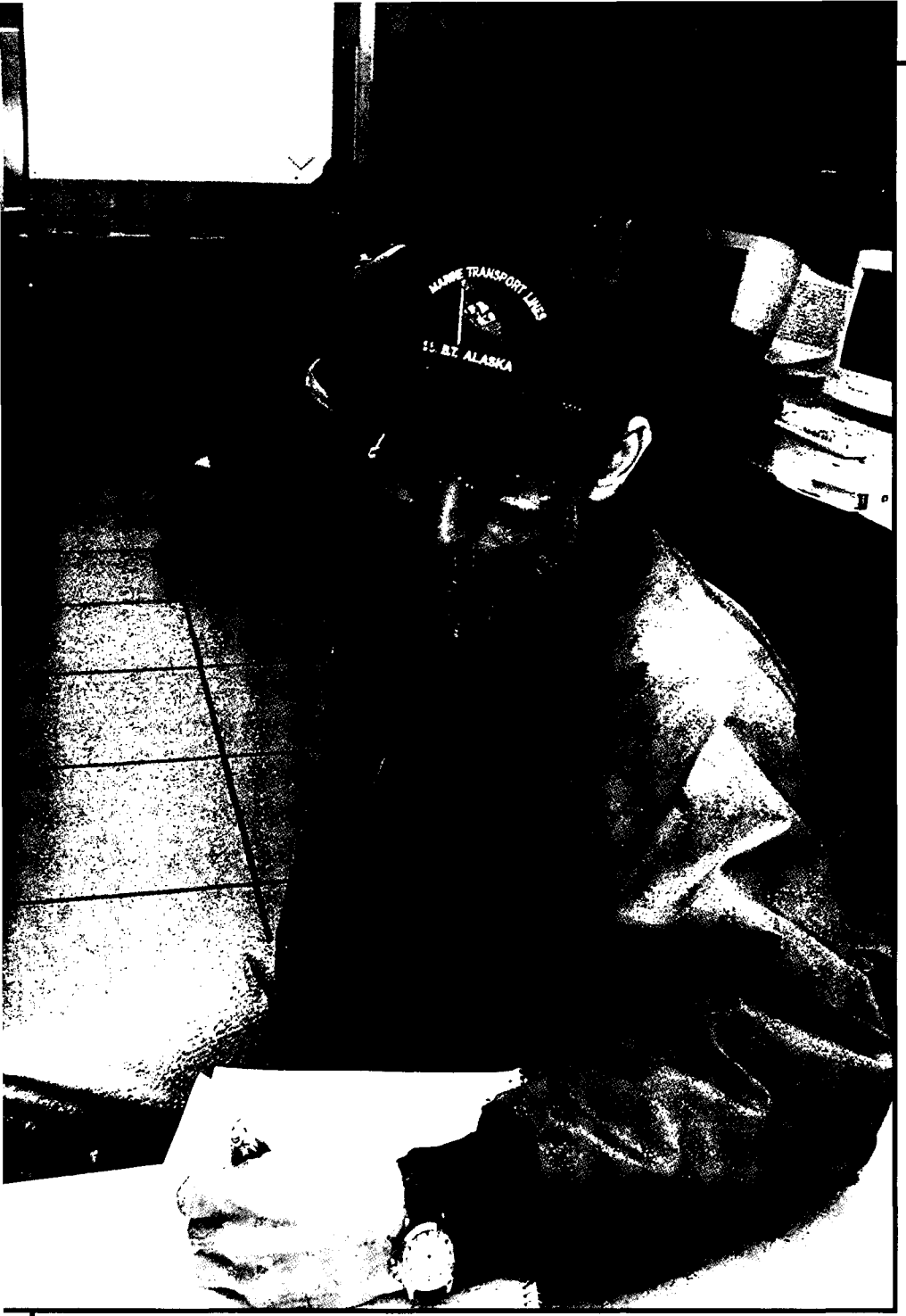

HOLDING PATTERN: The recession has driven up unemployment, and Bush's supply-side policies will hamper investment and slow the recovery.

projected reduction in the domestic capital available for investment in 2004 is equivalent to nearly one-third of all business fixed investment in 2000, the last year of the boom, and more than 40 percent of business investment in equipment and software that year. Much of this projected shortfall in domestic capital can be replaced by capital from abroad, as it was in the 1980s, but the price of borrowing it will be higher, and therefore overall investment will be lower.

To be sure, the recession, not the new tax cuts, caused last year's deep slump in most areas of business fixed investment. But the Bush budget deficits will keep a lid on business investment as the economy recovers over the next few years, and that will spell the difference between the Clinton boom and the more disappointing performance that could mark the Bush years. This is because administration policies are undermining the conditions that fostered the strong New Economy growth of the 1990s—when low interest rates helped fuel more R&D, and new technologies, once developed, helped fuel strong business investment in new equipment, again financed at low interest rates. These investments helped raise productivity, which enabled the Federal Reserve to continue to keep interest rates low and the expansion going. Now, with forecasts of rising budget deficits driving up long-term interest rates, the president's program has begun to unravel this virtuous cycle of investment, innovation, productivity and growth.

These new policies also threaten a dynamic that was crucial to America's sense of vitality, self-confidence, and above all, positive change in the 1990s—the dynamic of cascading innovation. This phenomenon begins with economics: Productivity and income gains rose in the 1990s, as they had in the 1950s and 1960s, not just because firms bought new labor-saving technologies, but also, and mainly, because firms across the economy used these technologies to change the way they operate. Most workplaces became less hierarchical, and most workers became a little more independent. Some of these firms applied their new technologies in their new organizations and came up with new goods or services—including wireless devices like BlackBerry, on-board driving directions, digital films, custom bicycles, Napster, and online auctions. Competitors, recognizing the potential of the new technologies tapped by their rivals, demanded more; that produced another round of technological advance, which brought everything from the generations of

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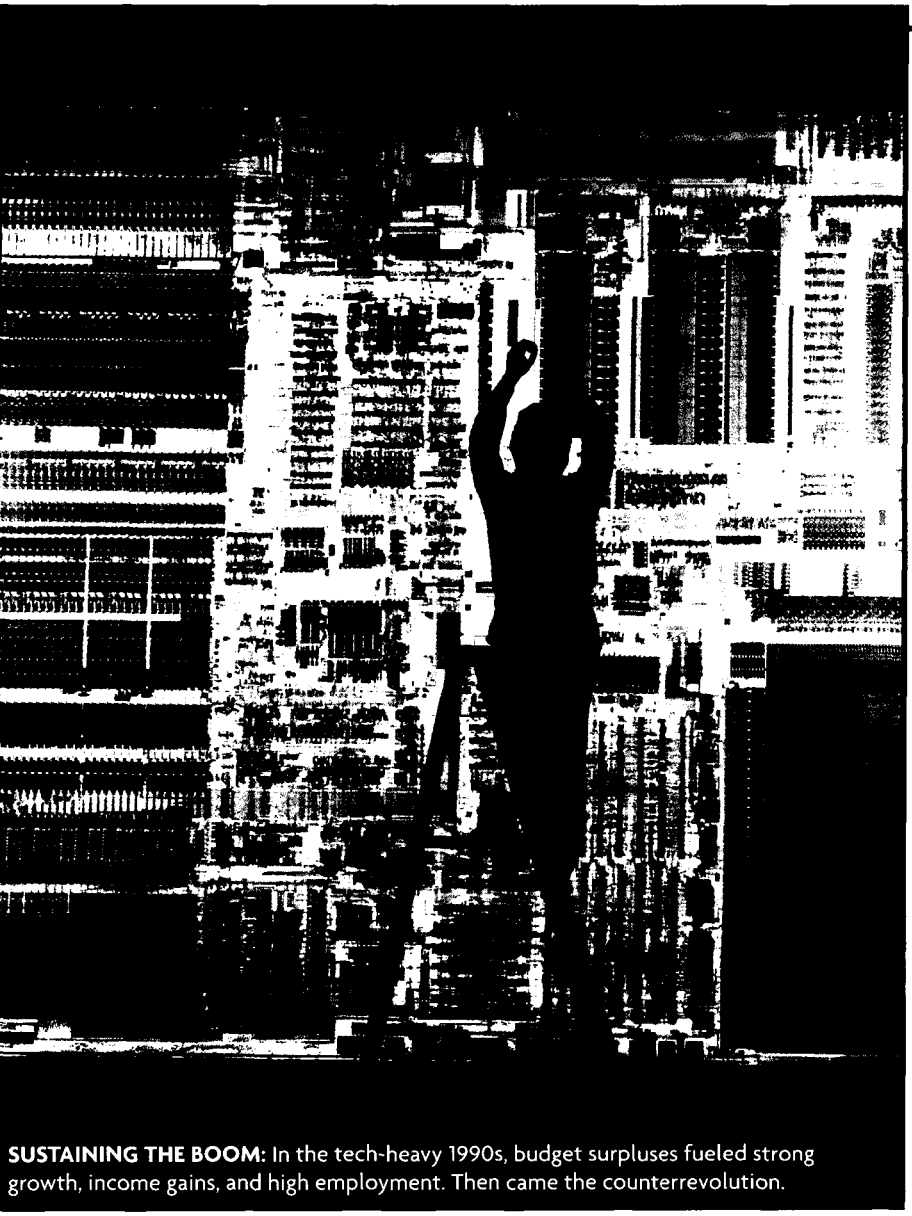

SUSTAINING THE BOOM: In the tech-heavy 1990s, budget surpluses fueled strong growth, income gains, and high employment. Then came the counterrevolution.

Pentiums to wireless applications and broadband. The new technologies create the potential for more rounds of innovation in how companies conduct themselves and the products they produce. The clearest example of such cascading innovation, with its countless social and economic effects, is the evolution of the Internet itself.

Other administration policies could also slow the investment and innovation bandwagon. There may be less prospect of finding new foreign markets, not only because most of the world is slowing down, but also because the Bush administration is showing less commitment to free trade. Already, the White House has supported new trade protections for domestic steel and a rollback of part of the free-trade agreement with Caribbean nations. Even in the area of deregulation and competition, the administration has supported bailouts for large firms, shelved active antitrust action in the information technology sector, and stalled the drive to open up spectrum for third-generation wireless communications. The administration may further dampen market competition by directing much of its energy and environmental policy to the plans and interests of the largest energy and chemical corporations—even setting aside Enron.

The politics. The principle and purpose behind the Bush counterrevolution lie not in economics, but in politics—sometimes avowedly so. Throughout his campaign, Mr. Bush insisted that the good times of the 1990s had little to do with his predecessor's policies, and that government is ethically obliged to respect people's "right" to keep more of what they earn by lowering taxes. This neatly blended appeal to public morality and self-interest shielded Mr. Bush from the political sins of his father, who lost conservative support when he raised taxes in 1990 to help contain the deficit. Behind the moralizing also lies the political strategy of Reaganomics: By bringing back large budget deficits, Mr. Bush can force most Democrats, some moderate Republicans, and anyone else opposed to his approach, to choose between "higher" taxes or putting aside much of their own agenda.

Mr. Bush is wrong in suggesting that mainstream economic policies had little to do with the good times of the 1990s, and he is wrong in holding that his supply-side revival will produce prosperity. In truth, the Bush program is a ticking bomb. Its greatest costs begin a half-decade and more from now, and retiring baby boomers may find themselves at ground zero.

The fact is, the centerpiece of the president's economic program—large tax cuts—is antithetical to Social Security reform, the centerpiece of his domestic agenda. Social Security faces a cash-flow deficit a decade from now, so any reform must involve additional resources—usually from general revenues or more borrowing. This shortfall would come sooner and loom larger under Bush's favorite reform, partial privatization, because it would slash payroll tax receipts, and the need for additional resources would mount more sharply.

The Bush economic program will make these resources scarcer and more expensive. As the decade wears on, the tax cuts will reduce general revenues at an accelerating rate. Furthermore, the grim fiscal outlook will continue to mean higher interest rates, which will not only raise the cost of borrowing those resources, but also will increase the need for them, because it will slow growth and, with it, payroll tax revenues. Long after President Bush's term ends, his economic policies will leave both baby boomers and the American economy in a bind. ●

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The Lost(ing) Surplus?

Bush blew the first $5 trillion in less than a year.

by **Gene Sperling**

Not so long ago, commentators from both ends of the ideological spectrum were complaining that the U.S. budget surplus was too big. Now, as the nation sinks back into deficits, fiscal discipline looks better all the time.

When surpluses first emerged after the 1997 balanced budget agreement, it didn't take long for members of both parties to start planning how to use the surplus for the new highway bill. Republican leaders quickly filed legislation to deplete the projected surplus with a large across-the-board tax cut.

If not for President Clinton's 1998 State of the Union challenge to Congress to save the surplus until we knew how much was needed to secure Social Security's long-term solvency, surpluses could have disappeared long ago. Clinton's call to "save Social Security first" froze all sides, and led, for several years, to a bipartisan commitment to save surpluses to pay down the national debt and increase savings for the baby boomers' retirement.

THE BUDGET BUST: Though wrapped in the flag, the president's new budget is a formula for deficits and debt.

The nation's decision to forgo current consumption and restrain popular political initiatives to meet the costs of future Medicare and Social Security liabilities was a rare moment of fiscal discipline and foresight. As a result, President Bush inherited on Inauguration Day a projected $5.6 trillion surplus over 10 years from 2002-2011. The president then faced a basic choice: Continue saving for debt reduction and Social Security first, or use the projected surpluses to make long-term commitments for consumption-oriented tax relief.

The high costs of President Bush's decision to put an expansive tax cut first and savings for debt reduction and Social Security last become more evident with every passing day. The president's 2001 tax cut—even measured by the administration's optimistic assumptions—would drain $1.7 trillion from the surplus over a decade. According to the International Monetary Fund, using more realistic assumptions, the cost would likely be as high as $2.5 trillion.

One year after his inauguration, the president's budget projects a surplus of only $665 billion over those same 10 years—nearly a $5 trillion deterioration in the surplus in just nine months. Instead of a bipartisan lockbox to protect Social Security surpluses, $1.5 trillion of Social Security surpluses will be used to pay for the excesses of the tax cut and other spending.

Even this estimate is based on fuzzy budget accounting. The administration budget includes a magic asterisk beside Medicare by assuming that Medicare spending will grow more slowly than ever in its history. The administration estimate is a full $313 billion lower than the Congressional Budget Office

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Gene Sperling, a columnist and contributing editor for *Bloomberg News*, was director of President Clinton's National Economic Council and assistant to the president for economic policy.

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SAVING FOR SENIORS? The excesses of the president's budget and tax cuts will swallow $1.5 trillion of the Social Security surpluses.

Numbers ...

by **Jeff Lemieux**

Will the Bush budget bring back deficits and plunge the nation into far greater debt after 2010? A simple examination of the budget assumptions, coupled with more realistic spending estimates based on recent budget history, suggests that the answer is likely to be yes.

Official data from the Bush administration and the Congressional Budget Office show a return to budget surpluses (at least if Social Security funds are included) after 2004. But they are based on unrealistic projections. Both CBO and the president's budget, for example, assume a *decline* in defense spending as a percentage of gross domestic product beginning in mid-decade. Bush's budget suggests that defense will drop from 3.4 percent of GDP to 3.1 percent by 2012. CBO projects that defense spending will fall to 2.5 percent by that year. Yet these guesstimates are implausible, coming at the very moment when the White House is predicting a long counteroffensive against terrorism and has asked for the largest Pentagon budget increase in 20 years. Given these realities, a more believable starting point for budgeting would be to assume defense spending doesn't drop at all (see chart 1).

The same thing applies to spending for domestic programs, homeland security, and foreign aid. The CBO projections assume that spending will fall from 3.7 percent of GDP to 3 percent by 2012. The president's budget goes even farther, assuming a decline in these areas to 2.8 percent. But everything we know about the world today tells us that we will probably need spending *increases* for homeland security and foreign aid. And since the president has refused to scale back tax cuts that don't even begin to take effect until 2006 or later, it is unlikely that Congress will rush out to cut its favorite domestic programs, like education or transportation, to balance the budget. Again, a realistic budget would assume no decline in spending for domestic programs, homeland security, and foreign aid (see chart 2). Combining these with defense spending yields a difference in projections of only 1.6 percent of GDP, yet over a decade that small number adds $1.5 *trillion* to the budget, plunging it back into deficit.

Then there's Medicare spending. The official forecasts assume real, per-enrollee Medicare spending will grow at between 1 and 2.5 percent per year over the next three

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estimate. The Bush budget also assumes that non-defense spending will be $167 billion below inflation, with little, if any, real plan for ever achieving such savings.

Under more realistic budget assumptions based on past spending and our new homeland defense needs, the Bush budget is in deficit, not surplus, over the next five years. If one incorporates the likely cost of preventing the number of taxpayers who pay the alternative minimum tax from skyrocketing from 1.4 million to 39 million by 2012 (as the Bush budget explicitly assumes), cumulative deficits are likely for the entire decade.

The impact on debt reduction is striking. The Congressional Budget Office estimated in January 2001 that we had the resources essentially to go from a national debt of more than $3.4 trillion in 2000 to virtually no debt by 2008. But under the most favorable Bush administration assumptions in the new budget, our debt would be well over $3 trillion in 2008. Under more cautious assumptions, it would increase to $4 trillion by 2012, according to the Progressive Policy Institute (see "Let's Do the Numbers," p. 20). In one year, the nation's major fiscal debate has turned from whether we were moving too fast toward a debt-free America to the prospect of no debt reduction—or even debt increases.

The administration's reaction has been to argue, first, that this is all the result of recession and terrorism, not the tax cuts. Second, it argues that a dramatic deterioration in our fiscal future is nothing to worry about. The administration is misguided on both counts.

The first argument is spurious on its face. While recession and the fight against terrorism have had a serious impact in the very short term, over 10 years there is no question that the number one factor in the $5 trillion deterioration of the surplus is the administration's tax-cut policies. Even by the administration's own numbers, the costs and lost savings in interest payments caused by the initial tax cut and those proposed in the recent budget represent a $2.5 trillion drain on the 10-year surplus estimates.

The administration's second argument—that deficits don't really matter—is even more disturbing. Of course, President Bush is right that we should be willing to make exceptions

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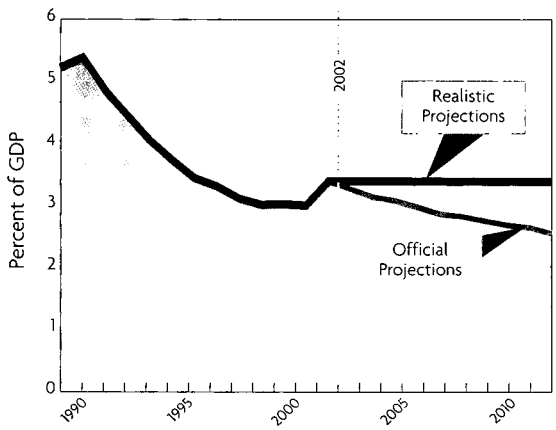
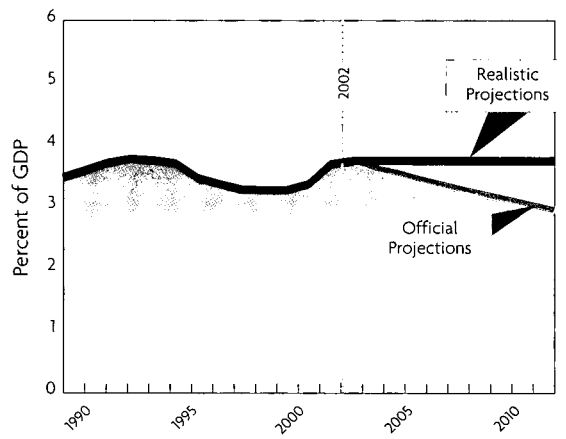
Chart 1: Defense Spending



SOURCE: Progressive Policy Institute and Congressional Budget Office.

Chart 2: Domestic and International Spending



SOURCE: Progressive Policy Institute and Congressional Budget Office.

years—that's less than one-half its historical average of about 5 percent. Even if one assumes growth at only 4 percent per year for just the next three years—more in line with current trends—this projection yields a far more realistic baseline (see chart 3). And it adds $300 billion to the budget deficit.

By making these three simple changes and extending some tax cuts that would otherwise expire, a far more realistic—and alarming—picture emerges than the one painted by the Bush administration or the CBO. Under realistic projections, the U.S. budget stays in deficit for the full decade and the national debt rises from $3.3 trillion to more than $4 trillion. Worse, none of the national debt will be paid off in this period, so the stage is set for an explosive increase in the debt after 2012 when the baby boomers start to retire and draw their entitlement benefits, mainly Social Security and Medicare (see chart 4).

What to do? The obvious and effective antidote to this coming fiscal train wreck is to make the president's scheduled

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Continued from page 21

to fiscal discipline in times of war and recession. But extending that reasonable argument to the foolhardy claim that long-term fiscal deterioration is not a significant economic problem is truly alarming.

Certainly, some on the Democratic side will also seek to downplay the importance of deficits—to make room not for tax cuts, but for new spending initiatives. Many of their priorities may be worthy, but it is essential that those promoting a New Democrat, pro-growth agenda meld their goals with a strong and continuing emphasis on the long-term economic benefits of fiscal discipline.

The administration seeks to poohpooh such concerns by stressing that a strong economy creates surpluses, not the other way around. Yet, this simplistic notion misses the key relationship of the late 1990s: Fiscal discipline led to a virtuous cycle in which surpluses saved for debt reduction pushed long-term interest rates down. Low interest rates encouraged new investment, strengthened the economy and led to more surpluses—which continued the positive cycle to the degree those new surpluses were saved.

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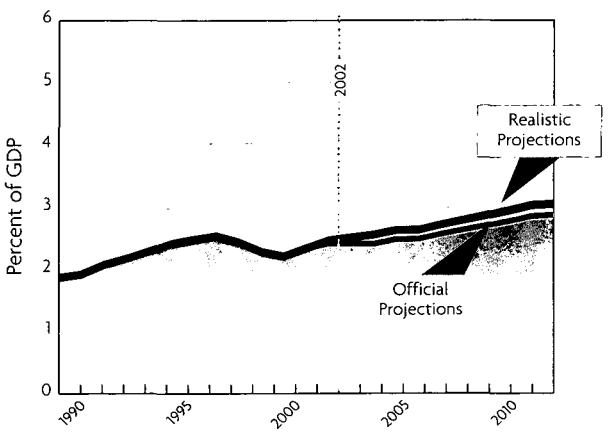
Recently, Republican economists and administration officials have sought to downplay the virtuous cycle. Their argument is built on a shaky claim that academic studies do not definitively show the causal connection between deficits and long-term interest rates. Yet, the studies they point to simply state that much of the academic literature is not informative on the issue.

The administration's argument contradicts basic laws of supply and demand by suggesting that the supply of capital will not affect the price of capital. Indeed, the logical conclusion of their argument is that we could drain another $5 trillion and still have no impact on long-term interest rates. Federal Reserve Board Chairman Alan Greenspan has repeatedly stressed the connection between an improved fiscal position and lower long-term interest rates. Even top Republican economists have made clear the interest-rate impact. These include Treasury Undersecretary John Taylor, a well-known Stanford University economist, and former Reagan Council of Economic Advisers Chairman Martin Feldstein. In addition, the Council of

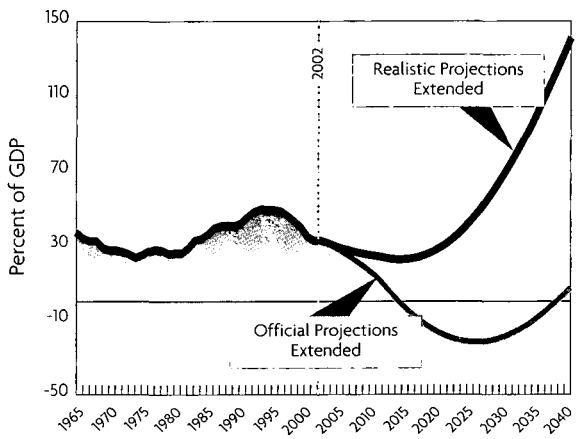
Numbers ...

Chart 3: Medicare Spending



SOURCE: Progressive Policy Institute and Congressional Budget Office.

Chart 4: National Debt



SOURCE: Progressive Policy Institute and Congressional Budget Office.

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tax cuts subject to triggers pegged to the level of the budget deficit. Additional tax cuts shouldn't be phased in unless economic conditions truly warrant it.

A key lesson is that lawmakers should never again pass tax cuts that are scheduled to phase in only a decade later. The economic downturn of the past two years has shown us how fast things can change, and how flimsy long-term projections can be. Mitch Daniels, President Bush's budget director, called the current budget "this year's wild guess." It's time to return to solid numbers. ◆

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Economic Advisers' Economic Report of the President in both the Reagan and first Bush administrations recognized the strong linkage between deficits and long-term interest rates.

With the low private savings rate in the United States, the degree of government savings (surplus) or dissavings (deficits) has been shown to have a major impact on long-term interest rates. The more the United States increases the supply of capital to the private sector (by paying down debt) instead of crowding out capital for the private sector (by running up deficits), the lower the price of money for capital investments, through long-term interest rates, regardless of the demand. This relationship between long-term interest rates and fiscal discipline is clear in times of both boom and bust. In 2000, Goldman Sachs estimated that the swing in fiscal fortunes had kept long-term interest rates 200 basis points lower than they would have been had the projected deficits remained. That's enough for a family with a $150,000 mortgage to save $3,000 a year.

In the downturn of 2001, we saw the same impact. During the 12 months following January 2001, one-year interest rates fell from 5.11 percent to 2.08 percent. While one would normally expect long-term interest rates to fall at least half as much, they actually rose during this period.

Greenspan acknowledged, "Some of the firmness of long-term interest rates probably is the consequence of the fall of projected budget surpluses." Goldman Sachs chief investment strategist Abby Cohen specifically cited the "very large tax cut that was implemented just a few months ago" as part of the "concern about the long-term implications of the change in fiscal policy" that is keeping intermediate interest rates up.

Ironically, Bush should have continued Clinton's policy of saving the surpluses for Social Security for the sake of his own agenda. That is because all Social Security reform plans share one fundamental political and financial challenge: All need a temporary infusion of resources to help bear the transition costs of moving from a largely pay-as-you-go system to a partially pre-funded system. The president's decision to devote the projected surpluses to an expansive tax cut most likely killed chances for politically viable Social Security reform of any type—including alternatives favored by the Bush administration.

Without a significant infusion of resources for transition costs, President Bush cannot make any credible case that it is possible to set up new individual accounts without either requiring significant benefit cuts for new retirees, amassing huge new debt, or moving up the date that Social Security reaches insolvency. Furthermore, the tax cut left virtually no margin for error in protecting the bipartisan commitment to save Social Security surpluses for debt reduction and Social Security reform. Even without the additional costs of the war and homeland security, the president's budget would have drained more than $1 trillion from Social Security surpluses over the next decade.

> "The president's **decision** to devote the projected surpluses to an expansive tax cut most likely **killed chances** for politically viable **Social Security reform** of any type—including alternatives favored by the Bush administration."

While honorable people can disagree over whether certain mechanisms—such as legislative lockboxes—are effective, it is crucial to understand the central economic logic of setting aside projected surpluses for debt reduction: the basic commitment of this generation to save more now so as to leave the next generation more productive and less indebted.

Of course we should spend whatever we need to deal with the current national and homeland security crisis we face. Yet, we should not forget that the large surpluses that were accumulated and saved during the 1990s put America in a strong position to respond to the dual crises of recession and terrorism. Shouldn't our goal now be to return to the path of fiscal discipline so that we have the reserves needed to respond just as strongly the next time we face an unexpected hit on both the economic and national security front?

Too much of the debate revolves around positions that won't put us back on the track to fiscal discipline. Arguments range from making all of the current tax cuts permanent, to repealing part of the tax cuts to fund spending programs. Others have simply concluded that there is no point in putting forward any proposal—since President Bush has said that a tax freeze would pass only over his "dead body."

There is a better option. I believe we should freeze at current levels only the top two tax rates (which affect families making over $190,000), avoid new measures to enhance deductions and exemptions for high-income taxpayers, and double the exemption from the estate tax from $2 million to $4 million (but not repeal the estate tax entirely). Then we should devote all of the savings to a Social Security Reserve Fund dedicated to lowering deficits and debt, unless it were part of a comprehensive reform to extend Social Security's 75-year solvency. This proposal would save more than $1 trillion between 2005 and 2020, and if continued would be enough to close half of the 75-year Social Security solvency gap.

This would assure 98 percent of Americans their full marginal rate cut, and still give a sizable tax cut to those in the top 2 percent. If it is made clear that these savings would be used for saving Social Security first—not last—and strengthening the virtuous economic cycle America saw in the 1990s, it could be as politically viable as it is economically sensible. ◆

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PARTY'S OVER: State treasuries bulged during the 1990s, but now they're in trouble. Falling revenues and rising program demands have created a squeeze.

The States

The worm has turned on Republican governors. Their pain may be Democrats' gain.

by **Ed Kilgore**

The last half of the 1990s was a glorious time to be a governor—and especially to be a Republican governor. In a nice bit of serendipity for the GOP, the party picked up 11 governorships in its 1994 landslide, gaining a 30-19 edge over Democrats just in time to capitalize on the Clinton boom. But now that the boom has died, the worm has turned for state budgets. Those same Republican officeholders, and this year's Republican candidates, suddenly face painful fiscal and political problems. Their pain may be Democrats' gain. The budget squeeze provides a window of opportunity for New Democrats who offer a different model of fiscal management and economic development. It's worth taking a look at how this came to pass.

The national economic prosperity of the mid-to-late 1990s was an enormous boon to state treasuries, boosting income and sales tax revenues at a rapid pace in every region of the country. According to the Nelson A. Rockefeller Institute of Government, second-quarter (the period after annual income tax filings) revenue collections for the states jumped 6.4 percent in 1995, 8.6 percent in 1996, 8.3 percent in 1997, 11.4 percent in 1998, 8.0 percent in 1999, and 11.8 percent in 2000—figures that would have been notably higher if states had not been cutting taxes regularly throughout this period. Moreover, low unemployment rates, rising incomes, relatively stable health care costs, and sharply reduced welfare rolls all reduced upward pressure on state spending.

State lawmakers from both parties benefited from this cornucopia, but it was especially sweet for Republicans, who were able to redeem tax-cut promises while preserving or expanding popular spending programs. The late-1990s journalistic legend of the "Republican Super-Governors"—the moderate, can-do clan of John Engler of Michigan, Christine Todd Whitman of New Jersey, Tommy Thompson of Wisconsin, and George W. Bush of Texas—was built on a foundation of ready cash and easy choices.

The atmosphere of the late 1990s was nicely summarized in a letter sent by National Association of State Budget Officers President Bob Bittenbender urging his peers to attend a 1999 annual meeting: "Let the good times roll! The economy is still doing great—revenue collections for most of us are strong. The recently released Fiscal Survey documents the strong fiscal health of most states … It sounds like time for a party."

But now, the party is *way* over.

The Rockefeller Institute now reports that third-quarter state revenue collections actually dropped 3.4 percent from the previous period of 2000, before the post-Sept. 11 plunge in retail sales.

And the latest NASBO Fiscal Survey of the States, released last December, painted a bleak picture. At that time, 36 states were already reporting significant budget shortfalls. In the aggregate, these shortfalls reached a staggering $40 billion—the highest figure ever as a percentage of total state revenues—and could rise to $50 billion, or 10 percent of total state revenues, if unemployment rises. The overall fiscal situation was much worse than in the last national recession in the late 1980s and early 1990s.

In an inversion of the 1990s boom, states are suffering from a "double whammy": sharply reduced revenues and rising demands on state programs that help people who are unemployed or living in or near poverty—particularly

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the Medicaid program, the top expenditure category in nearly every state. A majority of states, moreover, have constitutional or statutory prohibitions on deficit spending, so shortfalls must be closed quickly. The new responsibilities states now face for homeland security could make the fiscal crisis worse.

Many state officials now fear that they will get the back of the hand from Washington rather than a helping hand. The return to a tight federal budget means that the perennial temptation to shift costs and responsibilities to the states will likely return as well.

While the state fiscal crunch is affecting governors and legislators from both parties, it's serving up big plates of crow for Republicans elected on the claim that perpetual tax cuts would create perpetual state economic booms and budget surpluses. The vast buffet of easy choices has been closed down.

Republican governors in Arizona, Arkansas, Kansas, and Ohio have already been forced to support tax increases. Additionally, Republican governors in Florida and Rhode Island are accepting delays or cancellations of previously enacted tax cuts, and those in Louisiana, New York, and Michigan may soon follow suit. Especially ironic was Florida Gov. Jeb Bush's agreement in December to postpone a cut in the state "intangible tax," scheduled to go into effect Jan. 1. At about the same time, his brother, the president of the United States, was beginning to blast congressional Democrats as "tax raisers" for supporting delays in future tax cuts to keep the federal budget out of deep red ink.

Along with the pain involved in governing states where revenues are going down rather than up, state-level Republicans have an additional problem: what to say on the campaign trail when they can no longer credibly campaign on tax cuts. Of 34 governorships on the line this November, 23 are held by the GOP. The off-year 2001 gubernatorial races saw Republican candidates in Virginia and New Jersey try to continue the old anti-tax message in states their parties had controlled for the previous eight years. Both lost dismally to New Democrats who campaigned on fiscal discipline and technology-driven economic growth (see sidebar on Virginia's Mark Warner).

The message is clear: Growth-oriented policies that focus on investments in knowledge, skills, and infrastructure can benefit Democratic candidates and bring back the good times of the 1990s. ◆

Virginia:

Mark Warner's campaign is a template for winning—and governing.

According to most media accounts, the 2001 Virginia gubernatorial victory of New Democrat technology entrepreneur Mark Warner was the story of a well-financed and disciplined challenger who beat a lackluster career politician leading a party that entered the campaign both overconfident and badly divided.

There's some truth to that stereotype. But something else, of much greater importance nationally, was going on as well: a referendum on how states can foster balanced growth in a New Economy. New Democrats in other states might even view Warner's campaign strategy as a template for future campaigns, as well as for governing in 2002 and beyond. A look at how he won can be useful.

As the 2001 campaign got under way, outgoing GOP Gov. (and then-Chairman of the Republican National Committee) Jim Gilmore had made himself something of a poster boy for the conservative approach to the New Economy. His formula was very old-fashioned: Keep taxes and services as low as possible, and recruit tech businesses one by one using tax concessions when necessary. Gilmore took much personal credit for the tech boom in Washington, D.C.'s Northern Virginia suburbs and suggested that Democrats like Warner, himself a major tech exec, didn't "get it."

But there were two problems with the Gilmore formula, which Warner brilliantly exposed and exploited. First, the eroding quality of life in tech-heavy Northern Virginia, typified by snarled roads and overcrowded schools, was creating a backlash, particularly among business people. And second, Gilmore offered little to the rest of the state, especially the rural areas where traditional industries and agribusiness are in perpetual decline.

While GOP opponent Mark Earley toed Gilmore's line, Warner called for a state development strategy focused on better education, skills training, technology infrastructure, and transportation improvements—a package designed to improve the quality of life in the suburbs while making rural areas a potential target for New Economy investment. It was a strategy right out of the Progressive Policy Institute's New Economy playbook, and it turned out to be good politics as well as good policy. Warner not only did better than previous Democrats in the Northern Virginia suburbs, but also did sensationally well in many parts of rural Virginia.

Warner shrewdly blunted the tax issue by agreeing to allow a local referendum in Northern Virginia on a sales tax increase dedicated to roads and schools. But he also touted his business experience as proof that he would be a tough fiscal manager, making the hard choices that had eluded Gilmore during a protracted budget fight with the Republican-controlled legislature.

Warner's message of technology-based statewide economic development and fiscal discipline would provide a good foundation for governing at the state level in almost any part of the country. New Democrats should take note. –EK

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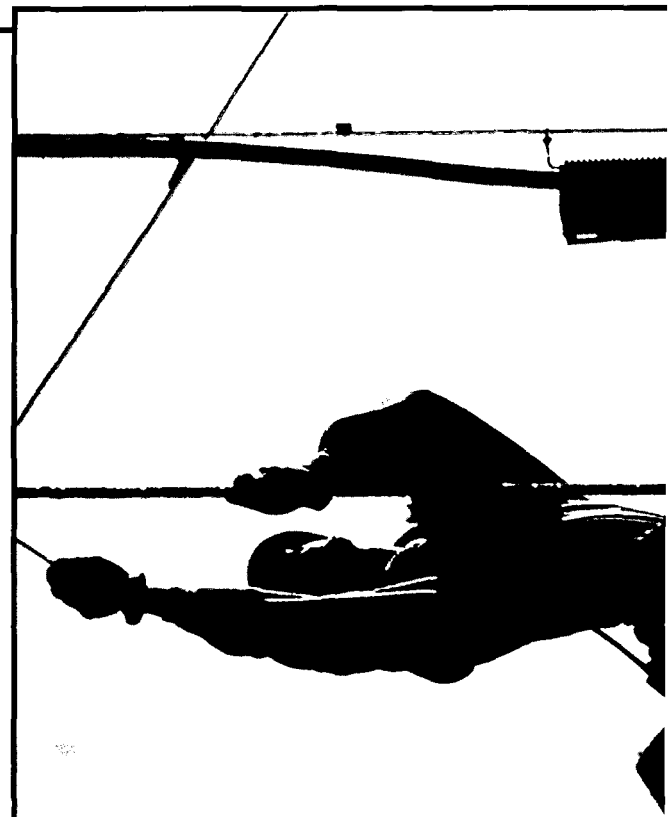

It's Not Just *Roads* and *Bridges*

Building a physical infrastructure networked our industrial economy. Now we need more investment in the New Economy infrastructure.

by **Robert D. Atkinson**

Infrastructure has always played an important role in economic growth—from Hadrian's viaducts to Al Gore Sr.'s interstate highway system. Investments in commonly shared economic resources allowed companies in an industrial economy to be more productive. These include roads, bridges, airports, rail lines, dredged rivers and ports, water supplies, and water treatment facilities. But in an information-based New Economy, it is investments in new kinds of infrastructures, many based on information technology, that will boost productivity. To ensure continuation of the high growth rates of the last half of the 1990s, we need a significant increase in federal investments in New Economy infrastructure, as opposed to old economy infrastructure.

Advocates of investing in old economy infrastructure point to declining public investment and argue that more physical infrastructure is an elixir of economic growth. Indeed, nondefense public investment in physical capital declined from 0.5 percent of gross domestic product in 1964 to around 0.3 percent in the 1990s. But notwithstanding their noneconomic benefits

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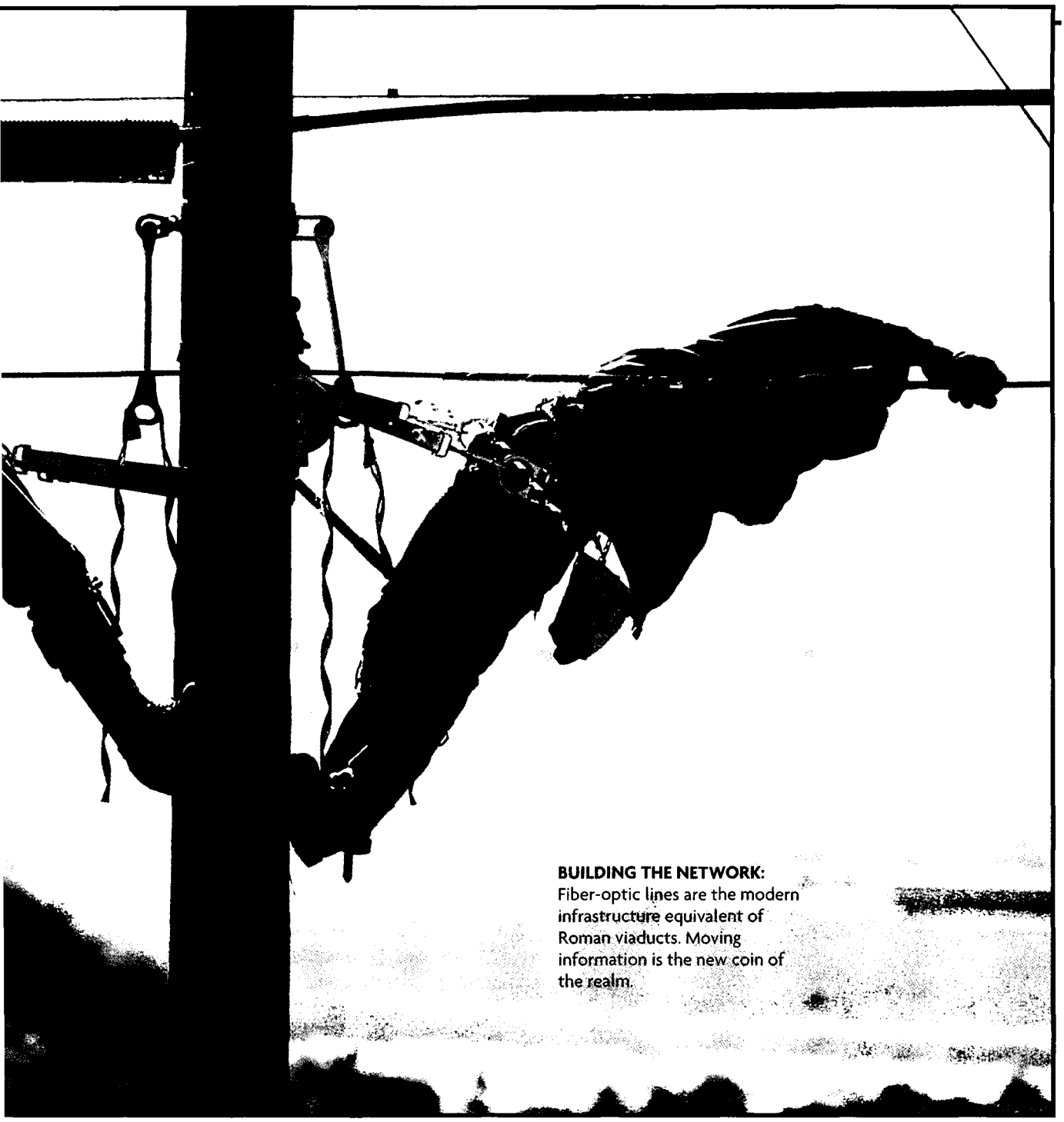

BUILDING THE NETWORK: Fiber-optic lines are the modern infrastructure equivalent of Roman viaducts. Moving information is the new coin of the realm.

(less congestion, cleaner water, etc.), additional investments in old economy infrastructure are not likely to significantly boost productivity. In an economy in which less than 25 percent of GDP is devoted to goods production and movement, it is doubtful that more costly physical infrastructure would appreciably raise productivity.

Moreover, because the benefits of most investments in physical infrastructure now accrue mainly to the localities where they are built, they are likely to do less for national productivity. When we were initially establishing road, airport, water, waste and utility systems, the national benefits of any individual project significantly exceeded the local benefits. Building a link on the national interstate highway system, for example, did not just make car and truck travel easier in that particular area. This network effect helped knit the country together, making transportation cheaper, which in turn gave manufacturers greater economies of scale. Roads also helped break the chicken-and-egg problem that was keeping autos from becoming part of everyday life.

But now that the United States largely has a fully developed physical infrastructure, adding to it incrementally does little to boost these network effects. Rather, most benefits from additional physical infrastructure will accrue to the direct users of it and to the local areas where it is built, with little impact on overall productivity. Yet the fundamental principle holds: Investment boosts pro-

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ductivity. Today, however, it is New Economy infrastructure investment that has that effect.

Productivity increases will come largely from advances in and application of knowledge, particularly the application of advanced information technologies. Hence, the definition of infrastructure goes beyond concrete and steel to hardware and software that processes bits and electrons, as well as intangible infrastructure that supports knowledge creation.

Four big fixes. There are four main kinds of New Economy infrastructure investments that have large national benefits: new kinds of physical infrastructure; advanced technologies embedded in old economy physical infrastructure; information technology infrastructures; and science, engineering, and technological knowledge available to industry.

1. New kinds of physical infrastructure. The first physical improvement we need is the expansion of broadband connections. Government should support the rollout of next-generation, high-speed broadband through policies such as tax credits (for individuals or companies) or public-private partnerships in which companies commit to rolling out broadband networks in more localities in exchange for free rights of way along highways. Around 10 percent of American households have broadband, but the speeds offered are too low for many advanced applications like robust video-conferencing and full-length, high-quality video. Ensuring that a majority of Americans have high-speed broadband would lead to significant benefits beyond those enjoyed directly by the vendors and their customers. After all, broadband has the same network effect that investments in roads or electrical networks had 50 years ago. A new national broadband infrastructure would open up a host of new applications in distance learning, e-health and e-commerce. Consumers would be able to see virtual 3-D product demos online or have their doctors monitor symptoms over the Internet. While it may not be effective for government to build and manage broadband networks, the rollout of broadband will be slower than is economically optimal if left to market forces alone. Hence the need for pro-investment policies.

Another physical investment target should be wireless communications. Advanced wireless telecommunications infrastructure—called third generation, or 3G—will enable people to use wireless communications for a wide array of new applications, including high-speed access to the Internet over cell phones. Unfortunately, the needed spectrum is tied up in other uses, principally by the Defense Department and the broadcast industry for high-definition television. Government needs to revisit this policy with an eye toward freeing up more spectrum for new uses.

Additionally, we should speed up research into hydrogen fueling infrastructure. There is increasing interest in moving to a hydrogen-based transportation system, with cars powered by fuel cells whose only waste product is water. If the technology proves itself, the federal government could help develop a hydrogen infrastructure, perhaps through providing tax breaks to develop hydrogen-based fueling stations.

2. Infuse advanced technology into old economy infrastructures. Building an infrastructure for the New Economy means infusing our concrete and steel infrastructure with advanced technology. The first place to start is building more smart transportation. While government needs to expand our road, air, and port infrastructure, it also needs to invest in smarter roads, ports, and aviation. Intelligent Transportation Systems use advanced information technologies to manage and operate surface transportation. ITS involve devices to detect disturbances in traffic flow, real-time traveler information systems, computer-controlled ramps and traffic lights, "on-the-fly" toll collection systems, and a host of other applications. But many Intelligent Transportation Systems applications that could be provided by the private sector (e.g., on-board traffic-tracking systems) cannot be deployed until the public sector deploys the basic ITS infrastructure. Upgrading our air traffic control system would not only make the nation's aviation system safer, but would also expand its capacity. Applying new technology to our ports, such as just-in-time systems to link containers to trucks and rail, would enable the ports to handle expected increases in cargo volumes without having to expand physically.

At the same time, we need to move our electrical grid into the high-tech era with smart electricity systems. Providing incentives for homeowners to install electric meters that price power by the time of day and encouraging utilities to price electricity the same way could lower electricity demand in peak periods, reducing the need to build new plants.

3. Information technology infrastructures. New Economy infrastructures also involve creating new national information technology-based network infrastructures—what the Clinton administration referred to as the national information infrastructure. For example, the Clinton administration's decision to open up previously classified or military Global Positioning System technology for commercial use created a new infrastructure application in GPS devices. But other infrastructures can play an important role. One of these is smart cards. Investing in biometric-enabled smart ID cards issued and managed by the states would boost not only domestic security, but also e-commerce. Smart cards are credit card-sized cards with tiny computer chips in them; they are a key enabling infrastructure of the digital economy. Biometric smart cards can give a significant boost to e-commerce by providing digital signatures so people can sign legally binding documents online or carry digital cash to automate functions and payments such as paying in airport parking garages. But smart cards face a classic chicken-and-egg problem: Few people have them because

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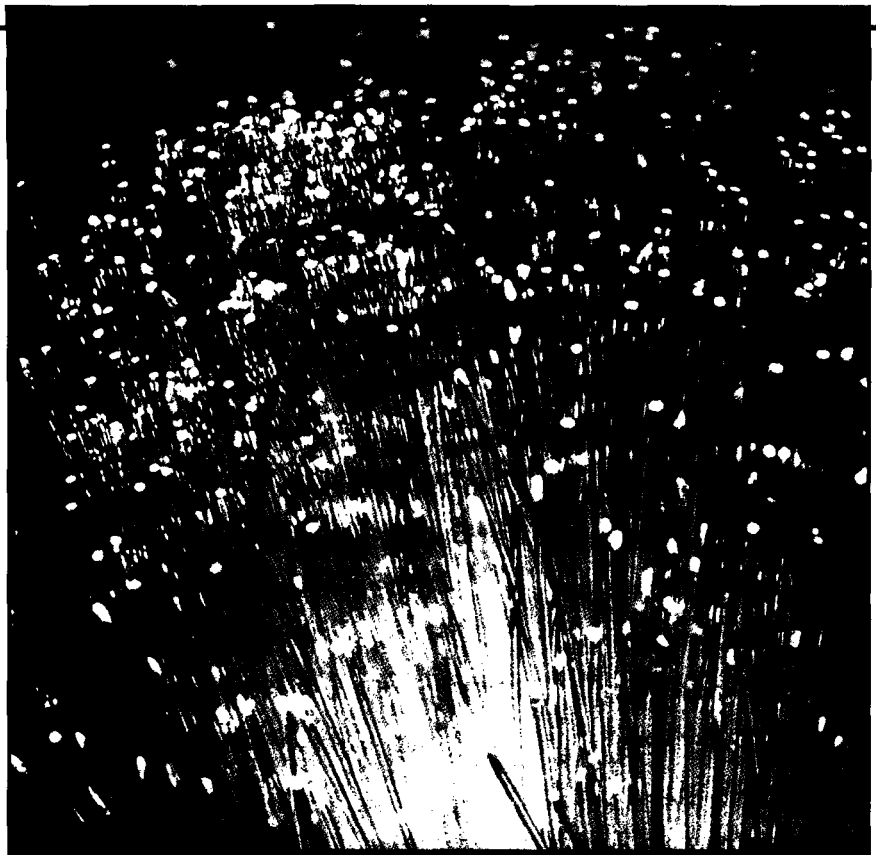

EXPLODING TECHNOLOGY: Broadband communication comes at light-speed these days, and it's essential for the New Economy.

few places accept them, and vice versa.

4. Science, engineering, and technological knowledge. Infrastructure also encompasses the science, engineering, and technological knowledge available to industry. Just as manufacturing companies used the highway and port systems to get their goods to market in the old economy, technology-based firms use publicly available knowledge and practices to boost their innovative capacity.

We should focus on three important areas. The first is the Internet 2 project. Government should help fund Internet 2 to build a new all-fiber-optic Internet for use by universities to test cutting-edge, super-fast Internet applications. This includes collaborative software that allows people to work at remote locations but function as though they were working in the same office.

The second area is genome-mapping research. Government should expand funding to map animal and plant genomes. The knowledge and techniques gained in the Human Genome Project are providing pharmaceutical and biotech companies with a vast array of new tools. But genome projects should be developed for other species. For example, with funding from the U.S. Department of Agriculture, scientists are unlocking the genome of trees, allowing timber companies to develop genetically engineered forests that dramatically boost timber yields.

Third, more funding and better coordination of investments in nano-technology—producing materials by manipulating atoms—will have huge economic benefits as companies develop a host of new materials.

As with all large forward-looking programs, and especially fundamental work that must be federally funded, one must look hard at how to pay for the ramping up of our new infrastructure. The federal government spent about $56 billion on infrastructure in 2001; almost two-thirds went to state and local governments. The federal treasury also lost $18 billion by making state and local government infrastructure bonds tax-exempt. Not all of this money comes from general funds, but a significant portion does. The lion's share was spent on old economy infrastructure.

There is no question that addressing both old economy and New Economy infrastructure needs will tax the resources of the federal government. We need $45 billion per year for drinking water and waste-water systems, and $50 billion per year is needed to adequately maintain and expand our highway system. The long-term cost of building and renovating schools is estimated to be $127 billion. Making the needed New Economy investments will cost tens of billions of dollars per year.

In an era of deficits and debt, how are we to afford investments in both New Economy and old economy infrastructure, while maintaining fiscal discipline and paying off the national debt? Congress could scale back the irresponsible Bush tax cut and use the revenues for infrastructure. But this is not likely to happen. The alternative is for Congress to shift the major responsibility for funding old economy infrastructure to state and local governments (or the users of the infrastructure) and to use the savings to invest in New Economy infrastructures. Localities should pay more of the costs of dredging ports and rivers; building sewage treatment and water supply systems; funding roads, bridges, and public transportation; and building new schools. In cases where the federal share comes from dedicated user fees such as gas taxes, they could be reduced to allow states to increase their own fees.

If users of old economy infrastructure pay more of the costs, it will not only free up federal funds for New Economy infrastructure investments, it will also ensure that the infrastructure is used more efficiently. If users of sewer and water infrastructure had to pay the full cost, for example, they would waste less water. If drivers paid the full cost of driving, they would drive less, especially on congested roads. User fees, such as sewer charges and gas taxes and highway tolls, will also ensure that physical infrastructure investments aren't made unless the people who use them value them. Clearly there are some cases where a larger federal role is appropriate—in poor communities, for example—but these should be the exception to federal

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funding of traditional infrastructure.

The politics. There is, of course, a major political dimension to the kind of paradigm shift of infrastructure investment proposed here. Conservatives are convinced that public spending crowds out more productive private-sector spending, and that therefore government should cut back on spending, including spending on infrastructure. But this ignores the fact that there is a shortfall in both old physical infrastructure and new technology infrastructure that reduces Americans' quality of life. Moreover, it fails to recognize that the economic paybacks of many investments of the latter type are likely to be higher than from many private-sector investments. Plus, it's not as if government spends and people invest—the lion's share of the Bush tax cut will go to consumption. Moreover, not all private-sector investments benefit the economy since a not insignificant share of business investments aims to gain market share, not boost productivity.

Liberals do not appear to have met an infrastructure project they don't like, perhaps with the exception of roads which they claim lead to sprawl. They support infrastructure because it provides high-wage jobs and because it's a way for government to solve a host of pressing social problems and redistribute economic resources, while being seen as supporting growth. Yet, while investments in old economy infrastructure are needed to improve safety and quality of life, in an era of fiscal constraint and national debt, there just isn't enough money available to do it all.

As a result, we need a "third way" on infrastructure policy that recognizes the conservative view that upgrading the old economy infrastructure should be the responsibility of state and local governments and users. It should also recognize the liberal view that government has a critical role in providing public goods that have important economic payoffs—in this case a whole set of New Economy infrastructures. Clearly the time has come to reshape infrastructure policy for the New Economy. ◆

Bush on Trade

It's not yet a debacle, but it's going south fast.

by **Ed Gresser**

Geoffrey Chaucer's Merchant, the 11th pilgrim in the *Canterbury Tales*, tells the racy story of a mismatched couple: "olde Januarie" and his young wife, "fresshe May."

The Merchant's tale reaches its climax when jealous Januarie sees chaste May "struggling" in a tree with a young male friend. Jumping down quickly from her branch, May saves the situation by convincing the none-too-bright old knight that it wasn't at all what he thought—and anyway, it was for his own good.

Trade policy watchers, puzzling over the past year, may feel a bit like poor Januarie: Should we believe our eyes or the press releases?

LATIN AMERICAN CRASH: Bush's policies are undermining the Caribbean Basin Initiative and other trade agreements. That will hurt us as well as workers abroad, like this Honduran woman.

The Bush administration is as rhetorically devoted to trade liberalization as any of its predecessors. As a candidate, George W. Bush adopted the Clinton administration's goal of a Free Trade Area of the Americas, and, in fact, sharply criticized President Clinton for not doing enough to reach the goal. In the 1990s, President Bush argued, trade rela-

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tions with the Western Hemisphere moved too slowly; we had seen "summits without substance and reaction instead of action," he said. He promised instead a series of early bilateral trade agreements with several countries—Argentina, Brazil, Chile, and others—leading up to the FTAA itself.

A year later, things look rather different. While intensely covering the well-publicized Democratic divisions on trade, the press has taken the Bush rhetoric at face value. The administration does deserve credit for overseeing the launch of a new World Trade Organization negotiating round. But despite the administration's rhetoric, the United States opened 2002 amid falling imports and exports, with no new agreements and with a market more closed than it was at President Bush's inauguration. In his first year in office, the president:

- Called for new trade protections for the steel industry, making him the first president since the 1980s to appeal for trade protection for a specific industry.
- Agreed to withdraw duty-free privileges for a range of clothing from Central America and the Caribbean;
- Let the 10-year-old Andean Trade Preference Act expire.
- Withdrew a proposal to open the U.S. market to clothing made in Pakistan.
- Concluded no new bilateral free-trade agreements, while snubbing a highly public appeal for such an agreement from Australian Prime Minister John Howard.

So at least for the moment, the administration's trade policy is not sparking growth through new markets abroad or consumer benefits at home. Rather, it is withdrawing market access and protecting favored industries. And, as we look back to the growth of the 1990s from the raw economic realities of 2002, the consequences are clear.

The sustained economic growth of the Clinton boom drew on a strategy of restored fiscal discipline, support for innovation, public investment centered on education, and trade policies to liberalize the U.S. market and open new markets abroad. The 1993 budget and the passage of the North American Free Trade Agreement put the strategy in place in the administration's first year, opening the road to eight unbroken years of job creation and growth.

President Bush took office promising to scrap much of this agenda in favor of the approach of the late 1980s and early 1990s. Regarding the budget, the agenda was clear: The administration would end fiscal discipline. The consequences are equally evident: The motor is off, the key thrown away, the budget surplus gone, long-term interest rates high, and unemployment near historic Republican levels. As trade liberalization erodes, a second engine has begun to sputter as well.

Why has this happened? President Bush's commitment to trade liberalization may be sincere. But to date, his administration has made the classic mistake of sacrificing policy to procedure and goals to tactics. His top trade goal has been renewal of Trade Promotion Authority—a valuable procedural measure formerly known as "fast track" that facilitates future trade liberalization, but still is only a procedure. Each step backward has been an attempt to gain votes for TPA: Protection for textiles and steel brings in a handful of votes, shunning Australia avoids backlash from agricultural lobbies, and so forth. While the benefits of TPA are large, the administration's tactical maneuvers have gone so far as to damage the U.S. trade regime and its long-term goals.

But in contrast to fiscal policy, trade under the Bush regime is not yet a debacle. The progressive negotiating agenda begun under the Clinton administration remains in place, and with the Bush administration halfway across the river with TPA, there is no point in turning back. A few new initiatives can ameliorate the setbacks of the past year and make the next few years look more promising. Prospective free-trade agreements with Chile and Singapore, begun in the last months of the Clinton administration, can be completed next year to restore momentum. And the Bush administration has an opportunity to begin a second set of agreements to precede the larger goals of the FTAA and the new WTO Round.

The first step must be to salvage Latin American trade policy. Nowhere in the world is retrenchment more obvious than in this region. With the Andean trade program expired and markets closing for Central America and the Caribbean, U.S. allies are disillusioned, populist-minded policies are gaining strength, and critics of the United States throughout the hemisphere are claiming vindication. The goal of the FTAA is further away than it was when President Clinton left office.

The Central American republics have often expressed interest in upgrading the Caribbean Basin Initiative to a full free-trade agreement. This should be next on the agenda after completion of the Chile agreement. Congress can help by pushing the Andean trade program ahead.

Also, the administration can develop proposals to restart the momentum of trade policy in other regions. In Africa and the Middle East, the vehicle can be legislative: passage of an "African Growth and Opportunity Act II," as proposed by Reps. William Jefferson (D-La.) and Charles Rangel (D-N.Y.), and a Middle East market access program to encourage job creation and regional economic integration. In Asia, we can look to Australia, Thailand, and the Philippines as potential free trade agreement partners after the conclusion of the Singapore agreement.

Clearly, liberalizing visions cannot coexist forever with protectionist tactics. So Chaucer—himself a trade official who collected England's customs tax on wool exports—had it right: Fresshe May doesn't belong with olde Januarie. If the economy is to regain the competitiveness and health it had just a few years back, and if the administration is to be remembered for any substantial accomplishment in trade, it must refocus and make sure its tactics and procedures don't swallow its goals. ●

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You trust that the ravages of 400 years have not weakened the bases

You trust the bases to support the 24-foot high columns

You trust eight columns to sustain a 15,000-ton dome above your head

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Closing the defense gap

The war on terror has magnified a persistent political dilemma for Democrats: Americans emphatically trust the GOP to do a better job of keeping them safe and the country strong. With national security back at the center of U.S. politics, it's imperative that Democrats rebuild their credibility on matters of national strength and resolve.

When asked which party they trust to handle the nation's security, voters pick congressional Republicans over Democrats by 55-31, according to pollster Mark Penn. On fighting terrorism and strengthening the military, the GOP margins are even larger, and the public credits Republicans as the more patriotic party as well. These views don't merely reflect the public's overwhelming approval of President Bush's conduct of the war; the GOP advantage was evident long before Sept. 11.

How can Democrats start closing the national security gap? Some, especially in Congress, say the answer is to march squarely behind the commander in chief on matters of war and peace, and try to change the subject to domestic issues. This approach is based on a dubious theory of political advantage: Democrats may be weak on security, but strong on domestic issues that people deeply care about, such as prescription drugs for seniors, Social Security and Medicare, and the environment. By permitting "no daylight" to get between them and President Bush on the war, they can turn the public's attention to "our issues." Democrats tried this before, in the 1980s. It didn't work then, and it won't work now.

Democrats can't be a party of great national purpose and leadership if they cede the nation's overriding priority to their opponents. Instead, they must start closing the security gap in public opinion by crafting their own alternative for defending America against new threats.

Specifically, Democrats should update their 20th-century tradition of tough-minded internationalism to the first conflict of the 21st century. Just as Harry Truman and other farsighted Democrats forged the containment policy that eventually led to our Cold War victory, the party now needs to craft a long-range military, political, and economic strategy aimed at defeating Bin Ladenism and offering the moderate majority in the Muslim world an alternative to an apocalyptic holy war against the West.

Now as then, U.S. internationalism must rest on a foundation of national strength. Democrats should push hard for a radically transformed military organized around the capabilities that have succeeded brilliantly in Afghanistan: "dominant battlespace knowledge" from satellites and unmanned surveillance planes, real-time communications and targeting, and precise "smart" weapons, all coordinated by small, highly specialized units on the ground rather than yesterday's large and ponderous forces.

Democrats also need to demonstrate resolve in facing up to clear and present dangers, especially in Iraq. As long as Saddam Hussein remains in power, Iraq will continue to develop weapons of mass murder, torpedo any prospects for peace in the Arab-Israeli conflict, and serve as the rallying point for anti-Americanism in the Arab world.

Like the 1991 Gulf War Resolution, which authorized President Bush's father to expel Saddam from Kuwait, the question of what to do about Iraq is shaping up as a key test of national resolve. It's no coincidence that Bill Clinton, Al Gore, and Joe Lieberman, who headed the last three Democratic presidential tickets, all supported the resolution. Americans need to know that Democrats can be counted on to keep them safe, and that is why the party should follow the lead of Sen. Lieberman, who has made a forceful case for defanging Saddam. This is in striking contrast to the advice of the party's foreign policy elites, who mostly counsel inaction.

A new internationalism also means working with America's coalition partners to promote prosperity and political change throughout the Muslim world. This comes more naturally to Democrats than Republicans, whose "go-it-alone" instincts often put them at odds with the public's instinctive multilateralism.

To spur growth, we and our allies should urge governments to open their markets to trade and investment and join the World Trade Organization. On the diplomatic front, we should distance ourselves from corrupt, autocratic regimes like those in Egypt and Saudi Arabia and press harder for human rights and democratic reform. And we should refashion U.S. foreign aid as a tool for supporting ground-up efforts to spread basic education—especially for girls—and empower the region's poor.

In short, Democrats won't regain the public's trust on national security through mere "me-tooism." While backing President Bush's conduct of the war, they can also draw on their own rich internationalist tradition to frame the strategies America needs to prevail, once again, against a malignant ideology that threatens liberal democracy. ◆

> **Will Marshall** is president of the Progressive Policy Institute.

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A WORLD IN NEED: After the war on terror, we will still be faced with 100 million children without schooling and 7 million preventable child deaths annually.

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How to Win the Peace

We've built a potent alliance against terrorism. Now we must build one against world poverty. || *by* **Gordon Brown**

Courageous leadership in America and elsewhere is already winning the war against terrorism. But even before the battle is over, we must face the question of how to win the peace.

The alliance we have forged against terrorism since Sept. 11—an alliance across thousands of miles, across boundaries of nationality, faith, and race, across all conditions and stages of economic development—confirms a profound and pervasive truth: that in the new global economy, the richest countries and the poorest countries are inextricably bound to one another by common interests, shared needs, and linked destinies. What happens to the poorest citizen in the poorest country can affect the richest citizen in the richest country.

And there is growing agreement that as we work together to fight terrorism, we must also work together to address the causes of poverty—not just because to do so is central to long-term national security and peace, but because it is right, a moral imperative, an economic necessity, and a social duty.

Some critics of globalization say the issue is whether or not we should have globalization. In fact, the issue is whether we manage globalization well or badly, fairly or unfairly.

Managed badly, globalization could leave whole economies and millions of people in the developing world marginalized. Managed wisely, globalization can—and will—lift millions out of poverty and become the high road to a just and inclusive global economy.

NEW WORLD, NEW WAR continues BLUEPRINT's examination of the war on terrorism, at home and abroad.

We know that many benefits have already been secured from globalization. Since 1970, life expectancy in developing countries has increased by 10 years, and illiteracy and child mortality rates have been cut in half.

Yet despite these advances, we are still confronted by the reality of 100 million children without schooling, 7 million avoidable child deaths every year, and 1 billion people living in poverty.

That is why the whole international community has signed up to ambitious Millennium Development Goals for 2015—halving world poverty, cutting child mortality by two-thirds, and guaranteeing every child a primary education. →

Gordon Brown is Britain's Chancellor of the Exchequer.

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We need an economic and social plan to achieve a just and inclusive global economy. My proposal is this: In return for developing countries pursuing corruption-free policies for stability, opening up trade, and encouraging private investment, wealthier countries should be prepared to increase development funds by $50 billion a year. Those resources are needed to achieve these agreed upon development goals.

What I am proposing is not aid in the traditional sense—short-term aid to compensate for poverty—but a long-term investment for the future, tied to tackling the causes of poverty and building the capacity to compete and engage.

A new global alliance for prosperity would mean not just new opportunities for countries, but a set of new responsibilities, too.

The first is that every country, rich and poor, adopts recognized codes and standards for open and stable fiscal and monetary policies—rules that deter corruption and increase investor confidence in unstable regions. Our capacity to prevent global financial crises can be further improved by adopting effective early warning procedures and making the International Monetary Fund's surveillance and monitoring functions independent from decisions about crisis resolution. In addition, the private sector must become engaged on a more consistent basis as a partner in development.

> "Although today's **global new deal** is being constructed in new times, it is **based on** the Marshall Plan's **enduring values**."

Economic stability is necessary for prosperity, but it is not sufficient. As a second step, developing countries must make themselves more attractive to both domestic and foreign investors. One way forward is for the private and public sectors to come together in investment forums to examine the best environment for higher levels of investment and intra-regional trade.

Full trade liberalization could lift at least 300 million people out of poverty by 2015, so the third step is for the World Trade Organization to make progress on the 2001 Doha agreements.

But we cannot solve the urgent problems of poverty without a fourth step—a substantial increase in funds for development. An investment fund of $50 billion per year that invites applications for health, education, and anti-poverty work will help build the capacity of the poorest countries for sustainable development. In the future, no country genuinely committed to open, corruption-free, pro-stability, and pro-investment policies should be denied the chance to progress because of the lack of basic investment in education and health.

As ambitious as this plan may sound, it is not without precedent. In the 1940s, after the greatest of wars, American visionaries seized a powerful and unprecedented moment of opportunity. They created not only a new military and political settlement but also a new economic and social order.

Their program, the Marshall Plan, transferred 1 percent of national income, every year for four years, from the United States to Europe—not as an act of charity but as a frank recognition that like peace, prosperity was indivisible and that to be sustained it had to be shared.

I believe that the United States' post-war achievement should be our inspiration today—not just for the reconstruction of Afghanistan but also for a new deal for prosperity between the developed and developing worlds.

The Marshall Plan was, of course, constructed in a different world of distinct national economies in need of rebuilding. Our job today is to help build market economies for a wholly different era of open economies, international capital flows, and global competition.

Although today's global new deal is being constructed in new times, it is based on the Marshall Plan's enduring values. Like our predecessors, we understand that national safety and global reconstruction are inextricably linked. Like them, we see the need for a comprehensive plan that goes beyond temporary relief to wholesale economic and social development. Like them, we see the need for a new global, social, and economic order grounded in rights and responsibilities accepted by all.

Our argument is that by meeting our obligations to each other, all countries—rich and poor—can share in the benefits of this new global economy.

The poorest countries face new responsibilities to pursue transparent, corruption-free policies for stability and the attraction of private investment. But they have new opportunities too, with access to increased trade and investment, supported by a transfer of resources from rich to poor.

For the richest countries, new responsibilities include opening up markets, reforming international institutions, and transferring needed resources to developing countries to help reduce poverty. But increased trade and a globalization that works in the public interest will increase opportunity in wealthier countries as well.

The challenge is immense, but—in the spirit of Marshall—the answer is not to retreat from globalization.

Instead, my vision of the way forward is that in an increasingly interdependent world, all can benefit if each meets agreed obligations for change. Not only do we have inescapable obligations beyond our front doors and garden gates, responsibilities beyond the city wall, and duties beyond our national borders, but this generation also has the power, if it so chooses, to finally free the world from want. ◆

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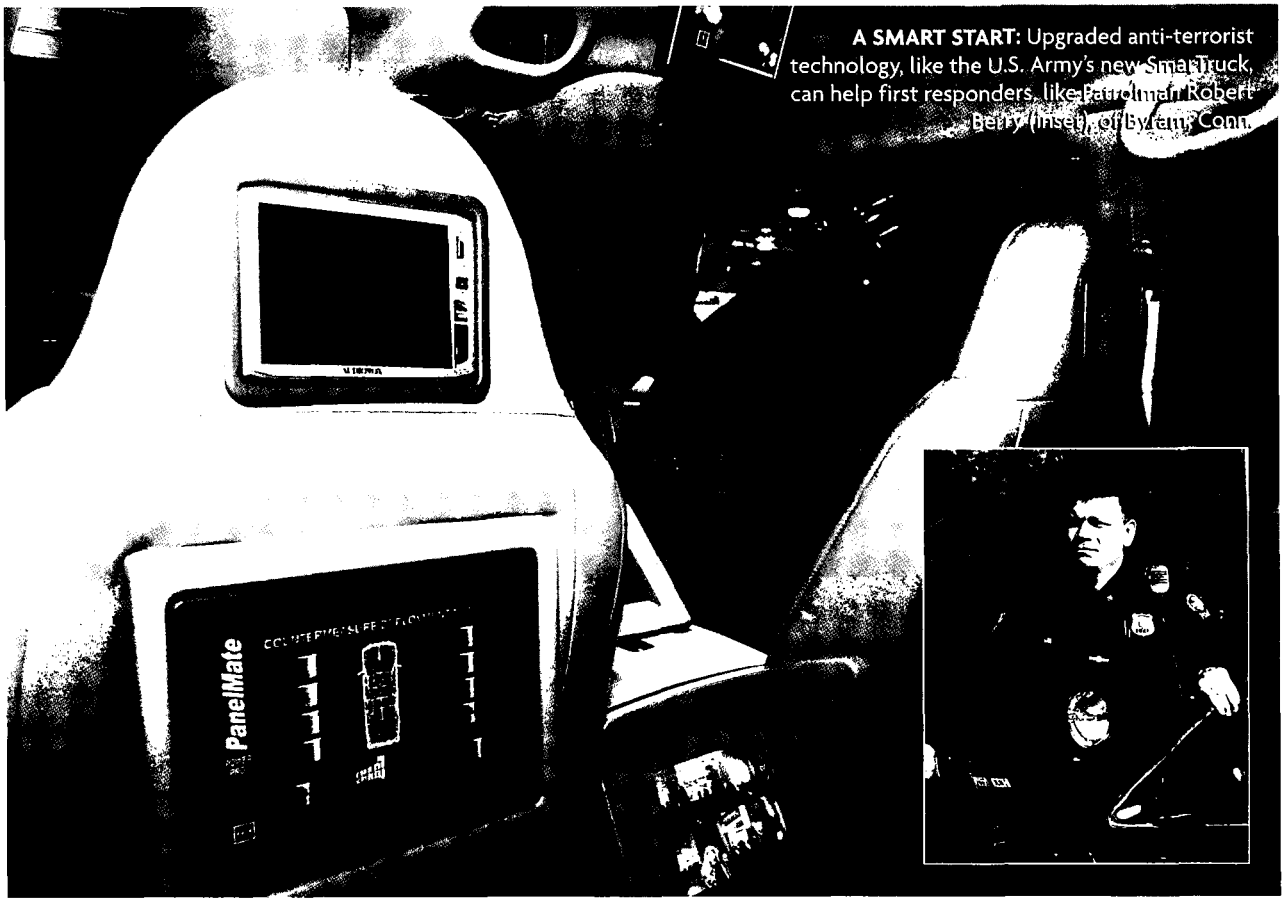

A SMART START: Upgraded anti-terrorist technology, like the U.S. Army's new SmarTruck, can help first responders, like Patrolman Robert Berry (inset), of Byram, Conn.

Modernizing Homeland Security

High-tech data links and inter-agency coordination could stop terrorists from slipping through our fingers again.

by **John D. Cohen** *and* **John A. Hurson**

Last year's terrorist attacks uncovered a deadly lack of integration among America's domestic defenses. Several of the future hijackers were briefly involved with police or other government agencies, which entered their names into government data systems. At least two of the men were sought by the FBI; the names of others were in other intelligence databases. But because the data systems were not linked, the dots were never connected, and the men went on their way. The chance to prevent terrorism was lost.

Although we'll never know whether better data sharing would have thwarted the horrible attacks, we do know that terrorists often use traditional crime, such as drug trafficking to support their objectives.

We also know that the nation's law enforcement and emergency response systems do not function cohesively because they are largely tied to geographical jurisdictions or exclusive functions. When police and fire departments from Virginia, Maryland, and Washington, D.C. responded to the Pentagon attack, they were unable to radio one another because, like most public safety entities, each department had its own radio frequencies.

To prevent and respond to terrorism, we must change our approach to security.

First, we must redefine our concept of national security to include the pivotal role of states and localities. In the event of new terrorist attacks, some of the first people on the scene will be police officers, followed by local firefighters and health-care providers. Federal help will be hours and maybe even days away. One way or another, responsibility for homeland defense rests with state and local governments.

Second, our approach to domestic defense must be made national and seamless. In addition to coordinating federal agencies, the Office of Homeland Security must set clear

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national priorities to guide action for states and localities. And to help state and local governments build a seamless domestic defense, Congress must provide block grants with accountability provisions.

Third, we must make domestic defense a top priority in the everyday work of government, not just in emergencies. We must build on existing state and local partnerships and information sharing, resisting the temptation to create stand-alone agencies mobilized only in a crisis. Information and communication technology and operational strategies used for emergencies should also support efforts to provide delivery of services by government agencies each day. With this infrastructure, state and local officials will not only have the foundation for efforts to prevent and respond to crises—everyday government will work better, too.

We should begin institutionalizing this new approach by immediately taking several steps. The first involves connecting the dots with the data. To link the information from various arms of the criminal justice system about the people who commit crime and the places where crime occurs, we must launch "integrated justice" information systems.

> "We must **build** on existing state and local partnerships and information sharing, **resisting the temptation** to create stand-alone agencies mobilized only in a **crisis**."

Just as search engines on the Web allow instantaneous access to vast sources of information, we must create a system in which secure facilities (such as airports) can access resources like the terrorist "watch list" in the National Crime Information Center at the FBI. Public safety information and communication systems should also be interlinked with those of other critical government systems that support transportation, social services, and public utilities. Efforts to "connect the dots with data" in 38 states and the District of Columbia must be accelerated and made universal.

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In addition, we must integrate emergency response communications systems. This would enable first responders from different agencies and jurisdictions to talk to each other. Efforts to address such deficiencies have been energized following the events of Sept. 11. For example, Maryland launched a project to patch disparate radio systems into an integrated network that offers a model for others.

At the same time, we need to bolster defenses against biological and chemical terrorist attacks. To identify and respond to both naturally occurring disease outbreak and biological and chemical weapon attacks, we must establish an information network linking laboratories, first responders, health care providers, governmental agencies, and other facilities.

Now that terrorism is a clearer threat, it's all the more critical that states be prepared to recognize an outbreak of disease, circulate information to health-care providers, coordinate local response with federal and military systems, and allocate scarce medical resources such as antibiotics and vaccines.

A good first step is the Lightweight Epidemiology Advanced Detection & Emergency Response System deployed by hospitals and state medical offices in New York and Phoenix during the World Series. Building on this Web-based system, medical personnel will have the ability to track outbreaks as they are reported by hospitals, map geographic regions where outbreaks are occurring, and determine response capabilities of various medical facilities.

Finally, it is important to connect everyone with 211 and 311. To provide information and services to everyone, we must establish statewide toll-free numbers for non-emergency information and referral services for health care and social services. At the time of the terrorist attacks and the anthrax scare, people called a non-emergency number for information and referral to health and social services when one was available. When a non-emergency number wasn't available, they called 911. But relying on 911 systems is potentially catastrophic, because the system could become inundated with non-emergency calls that clog out emergency calls. We need to expand the use of 211 and 311 as non-emergency information numbers. Connecticut's statewide 211 telephone system for information and referral is a model to follow.

These innovations would be key first steps toward fully integrating America's domestic defenses. State and local leaders should take heart that the best way to prevent and prepare for terrorism is already available in the techniques and technologies now strengthening communities and protecting our neighborhoods. Building on those methods will not only improve homeland security, it will also improve health care, policing, and other government services. ◆

John D. Cohen is president of PSComm LLC and directs the Progressive Policy Institute's Community Crime Fighting Project. **John A. Hurson** is a member of the Maryland House of Delegates, where he serves as chairman of the Environmental Matters Committee.

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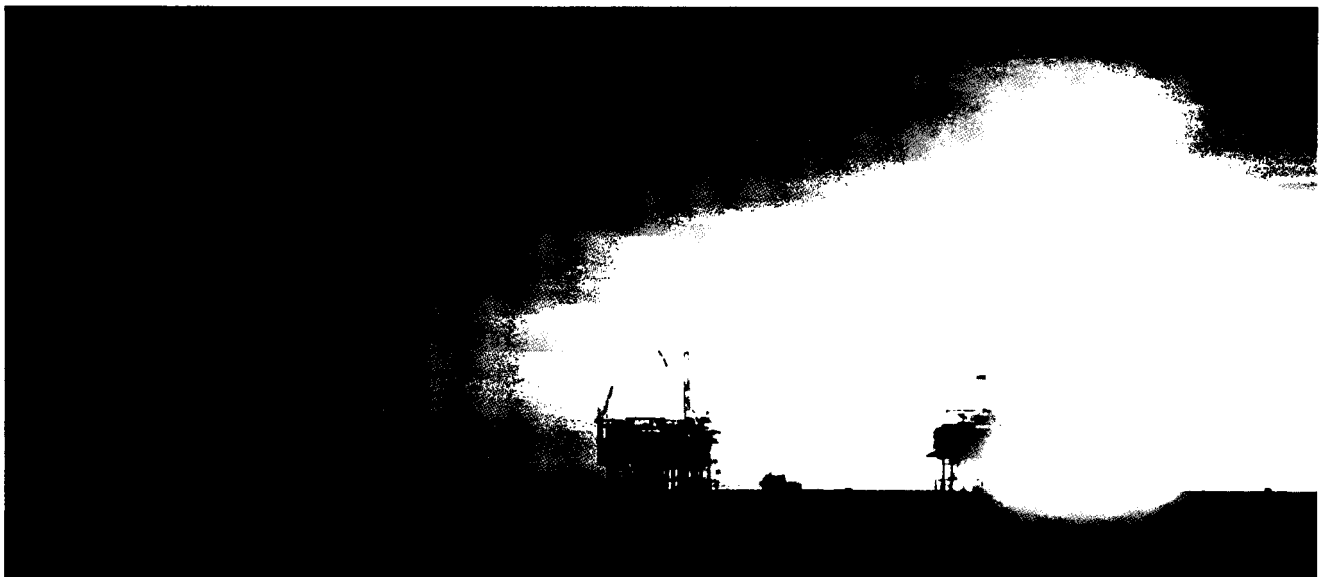

DOMESTIC SUPPLY: Increased domestic production will not insulate America from price spikes. Tapping the Arctic Reserve would equal just over 1 percent of world production.

Don't drain America first

True energy independence means reducing the role of oil in our economy.

by **Ronald E. Minsk**

The Sept. 11 attacks and subsequent war against terrorism have heightened concerns about our dependence on foreign oil and the role that the large producing countries in the Persian Gulf play in the world oil markets. We recognize that the crosscurrents of politics in the region can quickly turn this vulnerability into an economic and national security nightmare.

Unfortunately, the current oil policy debate has focused primarily on specious calls for "energy independence." The arguments offered by President Bush and others in favor of drilling for oil in the Arctic National Wildlife Refuge, for example, miss the point about what energy independence really means.

True energy independence means reducing the role of oil—regardless of its origin—in our economy. Oil will remain a strategic and economic vulnerability, no matter where it comes from, until we need less of it.

Instead of reducing our dependence on Persian Gulf oil, mainly by expanding our domestic supply, we need a more balanced approach. Sound oil policy should help increase the efficiency of the oil-consuming portion of our economy, encourage conservation, increase investment in technologies that create alternatives to oil, support environmentally responsible domestic production, and encourage diversification of international oil production capacity.

Backers of moving toward drilling in the Arctic Refuge often cite three justifications for doing so: to protect the economy and consumers from oil price spikes; to provide insurance against short-term supply disruptions; and to ensure greater latitude in the exercise of foreign policy. However, a careful examination of increasing domestic production in the manner proposed in President Bush's energy policy and in House-passed legislation suggests this approach cannot achieve these goals.

Price spikes. Increased domestic production will not insulate us from price spikes. Oil is a commodity traded around the world, and there is essentially a single global price for oil. Even if the United States produced all of the oil it consumed, its price would be subject to volatility based on international supply and demand. For example, oil prices in Norway and the United Kingdom—both free-market economies that are net *exporters* of oil—rose significantly between the summer of 1999 and the winter of 2000-2001. (Recall the refinery blockades in England to protest rising oil prices).

Moreover, the amount of oil anticipated from opening the Arctic Refuge to production would hardly affect the world price of oil. The federal gov-

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ernment estimates that drilling for oil in the Arctic Refuge would likely yield 1.3 million barrels per day at peak production. The Organization of the Petroleum Exporting Countries, by comparison, now produces more than 25 million barrels a day, and the world consumes more than 75 million barrels a day. The Department of Energy forecasts that Arctic Reserve oil would represent roughly 5 percent of our domestic oil consumption and just over 1 percent of the world's daily oil consumption by the time production in the Reserve would peak—13 years after approval to develop the resource.

Clearly, the volume of oil available in the Arctic Reserve is small relative to world supply. Also, if OPEC were functioning cohesively, it could negate the price effect of Arctic Refuge oil by cutting its production by a corresponding amount. Arctic Refuge oil would simply end up replacing OPEC oil on the world market. In that event, OPEC's response would effectively create a "Drain America First" energy policy. Arctic Refuge oil would replace either OPEC oil or oil from U.S. marginal producers on the world market. Consumers would see little or no savings from lower prices.

> "Even if we were to tap the Arctic Refuge, it eventually would run dry, leaving us in the same predicament we are in today."

But oil is a non-renewable resource. Even if we were to tap the Arctic Refuge, it eventually would run dry, leaving us in the same predicament we are in today. We would have gained little in the short term and would not have strengthened our energy security in the long term because that oil would no longer be available to use in the future should a truly compelling need arise.

Supply interruptions. Increasing domestic oil production is unlikely to meaningfully protect the United States against supply interruptions. Other producers could adjust their production levels to account for our increase. In any event, our increase would simply be worked into the new baseline level of worldwide production, effectively becoming the new norm. The economic effect of any subsequent supply interruptions would simply be measured from that new norm.

Moreover, the likelihood of a coordinated interruption of oil exports is much smaller than it was 25 years ago. Many exporting nations have grown heavily reliant on oil revenue, which undermines their ability to interrupt exports. The United States has also reduced its reliance on imports from the Persian Gulf—the portion of our imports that are at the greatest risk of interruption. Today, Persian Gulf oil represents only 23 percent of all our oil imports and about 13 percent of our oil consumption. Even if all imports from the entire Gulf region and other OPEC members (excluding Venezuela) were interrupted, our Strategic Petroleum Reserve could replace the loss for several months.

Latitude in foreign policy. The United States is the world's main proponent of market-driven domestic and international economic policies. A policy of promoting oil self-sufficiency in a world in which oil is a freely traded commodity in global markets would necessarily threaten this principle. And it would undoubtedly create its own set of significant constraints on our foreign policy.

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Even if we were to achieve complete oil independence (which is highly unlikely given current rates of domestic oil consumption and the high costs of domestic production), our key economic and strategic allies would remain susceptible to the vagaries of Persian Gulf oil exports. European dependence on Persian Gulf oil, for instance, is already at 40 percent and is expected to rise as North Sea fields are depleted. In an era of increased global trade, economic trouble abroad can lead to economic trouble at home. And as we have learned since Sept. 11, the value of strategic alliances cannot be overestimated.

A balanced approach. America cannot achieve energy independence simply by reducing its reliance on imported oil. Reducing our reliance on oil—period—is the true road to independence. We must plan an energy future that is focused on reducing our reliance on *all* oil. As long as we allow our economy to remain so reliant on oil—imported or domestic—our economic and energy destiny will remain outside of our ultimate control.

Even if we were to open the Arctic Refuge for oil exploration, at some point in the not-too-distant future we will be forced to turn to efficiency and alternative fuels, as declining petroleum stocks lead to higher petroleum prices. The real question is whether we begin making this adjustment of our own volition and on our own timetable, or whether we let the Saudis and their OPEC partners force the decision on us through their ability to affect the price of oil. We can reduce our dependence on oil without sacrificing our standard of living, just as we have done over the past 30 years. But our ability to make such a change smoothly will be enhanced if it is the result of our own decisions instead of decisions forced upon us from afar.

The president and Congress need to develop a balanced approach that recognizes the economic and national security costs of maintaining our dependence on oil. They need to develop a policy that moves us toward the inevitable future in which new technologies and fuels will reduce our reliance on oil.

The sooner the president and Congress get us on this path, the sooner we will enhance our economic strength and national security. ◆

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How Bush stole education

He did it fair and square by capturing the center. Democrats can outflank him only by embracing reform.

by **Andrew J. Rotherham**

When President Bush signed the No Child Left Behind Act—the breakthrough education bill of 2001—he secured a significant domestic policy achievement for his administration. The legislation was not only noteworthy for its policy changes; it was also an important political victory. This remarkable Republican turnaround on education helped boost the president's enviable approval ratings. As Congress prepares during the rest of his term to overhaul federal policy on special education, education research, and higher education, the president has the wind at his back.

What explains a Republican's stunning success on what has traditionally been Democratic turf? Obviously, commanding the platform of the White House helped Mr. Bush. The novelty factor was at work, too—like President Nixon going to China. These elements alone, however, do not fully explain the president's success. Instead, his ability to steal a march on the Democrats stems more from a clever move to the center, a rejection of Republican education orthodoxy, and a surprising embrace of proposals to expand rather than diminish the federal role in elementary and secondary schools. In addition, many Democrats resisted real education reform, leaving the center for Mr. Bush to claim without a fight.

In the previous decade, Republicans had taken a drubbing on education. They seemed almost magnetically drawn to unpopular positions—eliminating the Department of Education, cutting education spending, championing private school vouchers—that had the added drawback of being poor policy. Then, along came Bill Clinton, who focused on academic standards, public charter schools, and greater investment in education—all popular positions.

EDUCATIONAL DIVERSITY: President Bush won the center in part by highlighting the needs of minority students. Here, children of different backgrounds learn in a charter school.

President Clinton established a centrist playing field, markedly changing the politics of education just as school reform became a major concern of voters. Rather than embrace the hysterics of widespread school failure embodied in the 1983 study, *A Nation at Risk*, Mr. Clinton guided the public and the political dialogue toward a more realistic understanding of our educational landscape. He reminded the public of the great diversity among our public schools; some are great, some mediocre, others failing. Consequently, the preferred reforms of the right and the left are meaningless in many communities. Suburban parents don't want vouchers any more than urban parents are satisfied with the pace of reform or paternalistic promises that just a little more money or time will turn things around in their under-performing schools.

As early as his 2000 campaign, President Bush abandoned failed Republican positions. He also embraced a mostly centrist agenda highlighting the plight of minority students. When it was pointed out that Mr. Bush was appropriating many New Democratic education ideas, the Bush team cited it as evidence of their candidate's moderate credentials. In the end, as Al Gore found out, it was hard to convince voters

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that President Bush was wrong on education when he was hunkered down in the center.

It is, of course, amusing to remember that candidate Bush once wondered aloud, "Is our children learning?" Gaffes aside, he said other things that the voters loved, such as, "There is a tremendous gap of achievement between rich and poor, between white and minority. Whatever the cause, the effect is discrimination." Amy Wilkins of the left-leaning Education Trust told *Time:* "I'm a black Democrat ... so it's frightening for me to see Bush more concerned about minority achievement than Gore." Those words angered many Democrats, but they should have been a valuable warning to them.

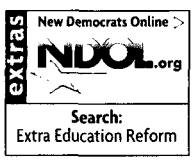
If Democrats challenge President Bush for the center on education policy, they can strike the Republicans where they are weakest—in the restiveness of their right wing.

The warning wasn't heeded, however. Large parts of the Democratic Party remain hostile to education reform beyond spending increases and new programs. That hostility plays into President Bush's hands, because it fails to satisfy urban minority voters who are restless with public schools; it also repels moderates. In addition, it allows Mr. Bush to use education to bolster his "compassionate" credentials and to obscure conservative Republican positions on a host of other issues—such as taxes, the environment, the budget, and economic policy.

The president's political coup undermines Democrats in crucial 2002 elections by perpetuating, to the delight of Republicans, a debilitating view of the Democratic Party as a tool of the teachers' unions. This is important in the post-Sept. 11 environment. "Voters' perceptions of the two parties have reverted to the patterns that prevailed before the election of President Bill Clinton in 1992," says pollster Mark Penn. President Clinton championed standards, charter schools, and other ideas that didn't sit well with Washington's alphabet soup of education advocacy groups. This enhanced his standing as a reformer. In today's political terms, this means that any Democrat without reform credentials risks ceding the issue to any Republican who isn't openly hostile to public schools—especially since President Bush owns the bully pulpit and uses it exceedingly well.

By opposing reforms, many Democrats wade into the education fight against President Bush with one hand tied behind their backs. For example, it's awkward to argue against vouchers without vigorously embracing public school choice options. And it's hard to argue for more resources without championing real accountability for results. Yet this is exactly what many Democrats are doing.

But just as President Bush managed to repaint his party's negative image on education, Democrats can quickly turn things around, too. It's a matter of recapturing Democratic ideas. Aside from vouchers, Mr. Bush's education agenda is largely a New Democratic one. His reading initiative is almost indistinguishable from President Clinton's. The new education bill, which is regarded widely as "Bush's education initiative," was largely written by Democratic Sens. Joe Lieberman (Conn.) and Evan Bayh (Ind.), along with other New Democrats. The president has even appointed several authors of a special education book produced by the New Democrat Progressive Policy Institute to his special education reform commission. This strategy of cribbing ideas has worked well for Mr. Bush both in Washington and in Texas, where he largely continued policies inherited from his Democratic predecessors.



The only way to beat President Bush is to out-reform him. It's time for Democratic candidates to make him do his own homework—and think up his own programs—by unabashedly championing a centrist education agenda. This would force the president either to the right or right into agreement with Democrats. During debates over special education, college affordability, and teacher quality, Democrats can propose substantial public investments, but also offer significant reform ideas. In addition to staking a claim to the center, this would allow Democrats to push for more funding without appearing to be trying to spend their way to better schools. Ironically, the failure to take reform positions will leave Democrats focused on money, thus mortgaging the party's credibility and, worse, allowing President Bush to dodge reasonable demands for more funding.

If Democrats challenge President Bush for the center on education policy, they can strike the Republicans where they are weakest—in the restiveness of their right wing. Indeed, many conservative Republicans would bolt from President Bush's position if they could. They grudgingly acquiesced to the education bill only because it was a top White House priority. Rep. Tom DeLay (R-Texas) confessed to Rush Limbaugh that he "voted for that awful education bill" only to support President Bush. "I came here to eliminate the Department of Education ... so it was very hard for me to vote for something that expands [it]."

Democrats should not be leery of angering special interest groups. Taking controversial positions on education and other issues is not a political death sentence. Sen. Tom Carper's (D-Del.) position on education reform while Delaware's governor cost him the endorsement of teachers' unions and other interest groups in his race for the U.S. Senate. Carper won anyway. His election, as well as that of Georgia Gov. Roy Barnes and even of a California liberal like Rep. George Miller (who has championed rigorous accountability and teacher quality measures), shows that Democrats do not have to choose between doing the right thing and the politically shrewd thing. ◆

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Letter from **SAN FRANCISCO**

Mayors in the middle

The Bay area Browns have shown surprisingly centrist leanings.

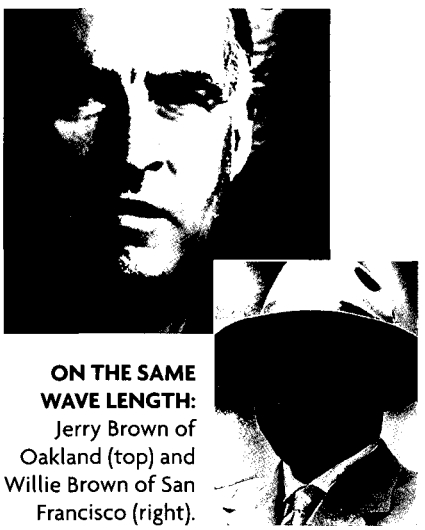
by **David Kurapka**

For residents of the San Francisco Bay area, life is generally a pleasant combination of good weather, excellent food, world-class wine, a fine opera company, and Barry Bonds going yard. For the rest of the country, however, our reputation is that of a place somewhere between Sweden and Cuba on the political spectrum.

This image has been reinforced in the months since the Sept. 11 terrorist attacks. In October, the Berkeley City Council reaped national scorn after it passed a resolution urging that bombing halt in Afghanistan. And, of course, John Walker Lindh, the "American Taliban" captured in Afghanistan, is from Marin County.

Never mind that American flags are displayed on homes throughout the region and that a record 50,000 people came out for the Veterans Day parade in November. In the minds of most Americans, San Francisco writer Herb Caen's old moniker for the city—Baghdad by the Bay—which he coined to refer to its exotic charms, would have a different connotation these days.

It may come as a surprise, then, that centrist, New Democrat policies have slowly been taking root in the Bay area for the past several years. Jerry Brown, the mayor of Oakland, and to a lesser extent his San Francisco counterpart, Willie Brown, have demonstrated some undeniable New Democrat tendencies. Consider their friendlier attitudes toward business and their better understanding that the private sector is essential in creating jobs and raising standards of living, as well as their embrace of charter schools and other educational reforms. (Even Berkeley Mayor Shirley Dean has pushed the city a little bit away from its anti-business attitudes; it is the city council that is largely responsible for giving the town its "People's Republic of Berkeley" reputation.) They may be the last to admit it, but the two Browns—especially Jerry—look suspiciously like New Democrats.



ON THE SAME WAVE LENGTH: Jerry Brown of Oakland (top) and Willie Brown of San Francisco (right).

The Bay area is, of course, proud of its progressive history—on the environment, equal rights, lifestyle tolerance, and opposing the Vietnam War—as it should be. But somewhere along the way, far too many Bay-area progressives started caring more about special interests than the needs of parents and other ordinary citizens, focusing more on symbolic politics than on implementing effective policies that can actually help people.

Take, for example, the recent episode with the Edison Charter Academy, an elementary school in San Francisco run by Chris Whittle's for-profit education company, the Edison Project. In 1998, Edison gained management of the school, one of the worst in the city. Though Edison's stewardship produced a mixed record, there were improvements. It was certainly no failure. More important, the school was very popular with parents.

In early 2001, however, the San Francisco school board tried to shut down the school. Several board members admitted that their main objection was to the very concept of a private company running a public school. Opposing the school board were parents of students in the school, 80 percent of whom signed a petition urging that the school remain open. Eventually, the city ended the contract but allowed Edison to petition for a state charter, which it received this summer. The school was able to continue operating this year.

Across the bay, Oakland is one of the very few cities in the country that largely missed the 1990s boom. Although San Francisco has been hit hard by the dot-com bust, it is still a vibrant, thriving city. Oakland, on the other hand, has been ailing for a while, plagued by failing schools, high crime, and poverty. The downtown is filled with empty office and retail space.

Against this backdrop, Jerry Brown was elected mayor of Oakland in 1998. An unlikely savior of the city, he first entered the national consciousness as "Governor Moonbeam," because of his often flaky ideas when he was California's chief executive in the 1970s. After leaving office, he spent time studying Zen Buddhism, worked with Mother Teresa, and made a quixotic run for president in 1992 on a platform of cleaning up politics—hardly a resume for a tough-as-nails, big-city mayor.

But that is exactly what Jerry Brown has become. When he first ran for mayor, I was living in Oakland, and I voted for his opponent. I doubted he really understood what Oakland needed to turn itself around. At the very least, I wondered, how could someone who routinely bashed corporations on the radio talk show he hosted attract the business that Oakland so desperately needed?

I was wrong. He's been terrific.

Mayor Brown has demonstrated a surprising pragmatism and a willingness to consider new ideas that are heretical

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David Kurapka, a former speechwriter for Treasury Secretary Robert Rubin, lives in Berkeley, Calif.

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Lessons learned from Enron

Give employees more choice, control, and protection of their private retirement plans.

> *by* **Paul Weinstein Jr.**

Even as Congress investigates possible illegal interactions between top executives at Enron and the Bush administration, there is more urgent business flowing from the debacle: the need to protect the individual investor from business scam artists, to clean up a financial system rife with potential conflicts of interest, and to reassure Americans that the private retirement system is safe and sound.

Investors saving for retirement received tough news in March 2001; for the first time in a decade they faced a bear market and a historic decline in 401(k) assets. But while it is one thing to lose money because of market downturns, it is quite another to have one's life savings wiped out because the system designed to protect a nest egg failed miserably.

It's no secret that Americans don't save enough for retirement, that too many current retirees are forced to rely on Social Security for their income, and that more and more retirees have to return to the workforce to make ends meet. Furthermore, future retirees are rightly concerned that the president and Congress are playing politics with the future solvency of Social Security. But the tremendous growth in 401(k) and Individual Retirement Account (IRA) assets was one of the few positive indicators that a greater number of Americans would be able to retire financially secure. Unfortunately the Enron debacle—in which thousands of Enron employees lost millions of dollars in retirement savings—threatens to undermine confidence in employer-based pension plans like 401(k)s. It is imperative that policymakers quickly address what went wrong at Enron.

Of course, there is a right way and a wrong way to fix this problem. If we make only symbolic gestures or, even worse, do nothing, the system will fail again. On the other hand, if Congress over-regulates, employers will be eventually discouraged from offering 401(k) plans and matching employee contributions. To remedy the problem without damaging the employer-based retirement system, we need to focus on three things. First, give employees more choice and control over their 401(k)s. Second, provide more easily understandable financial information to employees. Third, erect firewalls and other protections to prevent the type of financial accounting irregularities that masked Enron's overstatement of earnings by more than $580 million.

ENRON'S FALL: *The tragedy reaches far beyond the Houston-based company. Retirement plans need protection across the country.*

First, give workers more choice. To guarantee that worker portfolios are diversified, and thus less risky, some lawmakers have proposed creating an artificial cap on the amount of employer stock held by each employee. Unfortunately, such a proposal would probably discourage some companies from providing matching investments. A better way to encourage diversification is to let employees sell company stock after one year on the job and allow those who have completed the vesting period to roll over their 401(k) plans into an IRA. IRAs provide employees with a much greater selection of investments. To put IRAs on equal footing with 401(k)s, IRA accounts could be protected from bankruptcy proceedings just as 401(k)s are today.

Second, make financial information truly understandable. Most employees don't have the time, the patience, or the understanding to wade through the myriad rules and regulations governing pensions. And many can't afford to pay a lawyer or an accountant to figure out the best investment strategy. One way the government can help is to reimburse companies that provide free, independent financial advice for their employees.

Additionally, the president should use his offices to bring together the major accounting firms and key consumer groups to develop a standardized, easy-to-understand list of important financial information, which all publicly traded companies would be required to provide to investors and employees annually.

Third, crackdown on financial irregularities. There are two primary culprits in the Enron case. One is the substantial financial accounting irregularities that masked Enron's overstatement of earnings by more than $580 million

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from 1997 until 2001. Another is alleged insider-trading violations, which allowed Enron's executives to liquidate more than $1 billion in Enron company stock while it was trading near its peak ($83 per share in January of 2001).

Some stock analysts often overlook dubious accounting practices, because they have a variety of financial stakes in the firm they are reviewing. These can include a significant equity position or underwriting a stock offering. In the future, they should be held to a higher code of conduct and be prohibited from trading the stock of any company on which they have issued a recommendation in the previous 60 days. In addition, President Bush and Congress should create a self-regulatory organization, similar to the New York Stock Exchange, for accounting firms. This self-regulatory entity would set stringent standards for the industry—with the authority to punish those firms that fail to meet those standards. To ensure the independence of the accounting self-regulatory organization, a user fee would be assessed on publicly traded corporations and other institutions, like mutual funds and securities firms. A congressionally mandated self-regulatory organization would have the tools to enforce its rules, such as the authority to issue subpoenas and fines.

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Finally, the Securities and Exchange Commission should adopt a rule proposed by former Chairman Arthur Levitt in 2000 to place a firewall between auditing and consulting activities. Levitt's proposal would forbid auditing firms from earning other fees from their clients. He believed that the firms had grown so dependent on fees that they had created a conflict of interest. The big accounting firms fought the proposal aggressively and got the SEC to back down. Unfortunately for Enron investors, Levitt was right and the accounting firms were wrong. The SEC should not make that mistake again. ◆

Mayors

Continued from page 43

for the Bay area. At various times during his tenure, he has sparred with low-income housing advocates, community groups, the school board, and other entrenched constituencies.

Soon after he assumed office, Brown fired three city department heads—including the police chief, who was the first African-American to hold the position. There was a mini-uproar, but the controversy soon faded: People were fed up with Oakland's high crime rate. Those dismissals sent a clear message that Brown was serious, had really listened to the concerns of voters, and did not mind stepping on toes. (Brown can point to some success, too. The crime rate is down 25 percent since he took office, though it rose about 7 percent last year.)

But the most surprising fight Jerry Brown has taken on is his effort to start a new military charter school. The Oakland Military Institute is a public school run in partnership with the California National Guard in the style of a private military prep school. Students practice drills and marching but also face a challenging academic program. Brown believed such a school would provide a disciplined environment conducive to learning and an alternative to a troubled school system. Opposition by the local school board was fierce, however, and his proposal was rejected. Eventually, he received a state charter, and the school opened in fall 2001, having received nearly 250 applications for 162 slots. (Brown also has worked to start a charter school for the performing arts that is scheduled to open in fall 2002.)

In addition, Brown has streamlined red tape in his effort to bring new business and housing to the city. The city has averaged 880 new housing units a year since Brown took office, an impressive rise from 211 units a year from 1990 to 1998.

While Jerry Brown the radio talk-show host liked to noodle over well-intentioned but impractical policy ideas, Jerry Brown the mayor has embraced anything that would help the city of Oakland. For example, in 1999 the Navy and Marine Corps wanted to practice coastal urban warfare in San Francisco's Presidio, the former military base-turned-national park. Their plans were met with protests in San Francisco, so Jerry Brown quickly invited them to come over to the East Bay, where they conducted their exercises—and pumped an estimated $4.5 million into the local economy.

Meanwhile, across the bay in San Francisco, Willie Brown has also had his share of fights. He was a member of the California Assembly for more than 30 years and was its speaker for 15 years until he was term-limited out of office. Although he had previously ridiculed being a mayor ("Street lights, dog-doo, and parking meters are not my cup of tea."), he changed his mind and was elected the city's mayor in 1995. He governed during a period of great economic prosperity for the city—and his chief accomplishment was probably fighting those who seemed to believe that prosperity was a bad thing. Most notably, he led the effort in the fall of 2000 to defeat an anti-growth ballot measure directly aimed at stopping the spread of dot-coms. The measure failed, and dot-coms began dying on their own shortly afterward. But Brown has also disappointed: The two main problems he was elected to solve—an out-of-control homeless population and ineffective public transportation—remain unresolved.

To be sure, the New Democrat movement in the Bay Area—to the extent there is one—is not as strong as it is on the other side of the Berkeley-Oakland Hills, in suburbs such as Walnut Creek, the area represented by New Democrat U.S. Rep. Ellen Tauscher. But if the politics are a bit more sensible over the hills, they are certainly more entertaining here. Plus, the restaurants are better. ◆

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Bush's turn at bat

If President Bush wants to prove he's not too cozy with corporate cronies, he doesn't have to say a word about Enron. There's another big corporate scandal that can't be blamed on his administration, and one that he alone can fix: Major League Baseball.

The perils of sport may seem petty alongside the biggest bankruptcy in history. Unlike Enron, baseball hasn't cost its workers their pensions, and it is only pretending to go broke. But if any enterprise has fallen as sharply in the public eye as Enron since last fall, it's baseball.

Only months ago, the game stole our hearts with Barry Bonds' home run record and a storybook World Series that helped bring us together after Sept. 11. Yet, as soon as the players left the field, management traded baseball's greatest season for its worst off-season. In November, the same week Enron admitted overstating profits by $586 million, Commissioner Bud Selig announced a contraction plan to shut down at least two major league franchises because baseball had suddenly found $519 million in losses. Selig's contraction scheme is a business plan that former Enron Chairman Ken Lay could envy: increasing the value of management's assets by reducing revenues.

In the same January week that the Arthur Andersen accounting firm acknowledged destroying Enron documents, Selig was forced to admit that he had once violated league rules by taking a $3 million loan from the owner who now stands to benefit most from contraction. Any other business would fire its chief executive for such a gross conflict of interest. It seems that in baseball, rules, like records, are made to be broken.

In fact, baseball may be the only business in America still trying to look like Enron, with a steady stream of sweetheart deals, hidden partnerships, and phony bookkeeping. If public outcry hadn't forced the Houston Astros to pay Enron $2.1 million to drop the name, Enron Field was set to host the 2004 All-Star Game, just weeks before the Republican National Convention.

So if George W. Bush wants to become Teddy Roosevelt, baseball is the trust to start busting. As a former partner in the Texas Rangers, Bush has the owners' confidence. As the first Little Leaguer to become president, he loves the game enough to save it.

Even without Enron, the Bush White House should see that saving baseball would be a political home run. It's no accident that last summer the president brought Little League Baseball to the White House lawn. Major League Baseball has more Latino players than any other professional sport. It also symbolizes mainstream American values for the key voter group that backed Clinton in 1996 and Bush in 2000: married people with children. We don't call them swing voters for nothing.

Now the deepening inquiry into Enron gives Bush a political imperative to show that nobody owns him. What better way than by taking on the elite club of which he used to be a member? Imagine the headlines from coast to coast if Bush brought the baseball owners to the White House and ordered them to set things right before the season opens.

Baseball has plenty of problems, not all of them the owners' fault. But the president could demand progress on three clear, achievable objectives.

First, make the owners abandon contraction for good. Baseball may have expanded too quickly and in the wrong places, but contraction runs counter to the American ideal. As Bush told the 2000 Republican National Convention, this country was built on the motto he grew up hearing in Midland, Texas: "The sky's the limit."

Second, bring the national pastime back to the nation's capital. There's only one thing Washington would relish more than a good scandal: a good baseball team. Give George W. Bush the chance to twist arms in a presidential skybox, and no member of Congress in either party would be able to resist his legislative agenda.

Third, send Bud Selig to the showers. Restoring integrity to the Oval Office was just a cheap applause line during the 2000 campaign. Restoring integrity to the commissioner's office would be a real achievement. Whenever the president is ready to leave his current job for the commissioner's job he has always really wanted, we Democrats will support him. In the meantime, if he wishes to burnish his bipartisan credentials, I could be persuaded to keep the seat warm until he's ready.

Without presidential intervention, baseball could face a grim autumn of strikes, lockouts, and lawsuits. And if the president doesn't find a way to prove that he's fighting for middle America, not corporate America, his party might not have such a great fall, either.

On opening day in April, President Bush will throw out the first pitch. Let's hope it's a high hard one.◆

Bruce Reed is president of the Democratic Leadership Council and was President Clinton's domestic policy adviser.

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Multicultural movie mush

by **James P. Pinkerton** | If art imitates life, do war movies imitate war? Sure they do, but they also reflect the country that makes those movies. And so over the last 50 years, American war films have traversed from patriotism to anti-patriotism and back to patriotism. But now two new trends could reshape the genre once again, creating a new style and stance: post-patriotism.

The first trend is globalization, which makes even-handed multiculturalism all the more profitable. The second might be called New World Order-ization, in which the anti-fascist, anti-communist—even anti-terrorist—clarity of most of the last half century is multilateralized out of existence.

BLACK HAWK UP: Patriotic fervor fills "Black Hawk Down," but many other "war" movies aim to please the international common denominator. They offend no one but keep the planetary cash flowing.

Let's review a half-century at the movies. Films made during and immediately after World War II can be summed up in two words: John Wayne. Then came Vietnam. The Duke, a sexagenarian at the time, made one Vietnam movie, "The Green Berets" (1968), and then retreated back into his other oeuvre, Westerns. Indeed, throughout the Indochina conflict, the studios were reluctant to "do" the war, reasoning correctly that the movie-going market had been polarized and generation-gapped into unprofitable slivers. But the studios themselves became counter-cultured during the early 1970s, and so references to the ongoing carnage surfaced, albeit obliquely. "Little Big Man" (1970), for instance, repositioned Gen. Custer as Lt. Calley; "M*A*S*H," released the same year, was set in Korea, but the characters—Col. Blimpish-like martinets who deserved to be fragged and proto-hippieish underlings who just wanted to go home—were pure 'Nam.

Even the Good War was caught in ideological revisionism by the Nixon years. A few gung-ho films were made, such as "Patton" (1970) and "Midway" (1976). But cutting-edge filmmakers drifted to new styles of protest and irony, including "Catch-22" (1970) and "Slaughterhouse Five" (1972). Steven Spielberg played Pearl Harbor for laughs at America's expense in "1941" (1979). An even more conventional big-budget World War II movie, "A Bridge Too Far" (1977), showed an American defeat.

And once Americans were no longer dying in Vietnam, New Left-ed Hollywood moved in for the kill. An unabashedly pro-North Vietnamese film, "Hearts and Minds," won the Academy Award for best documentary in 1975. Bert Schneider, accepting the Oscar on national television, gleefully read aloud a telegram from the Viet Cong. "Coming Home" (1978), Jane Fonda's venture into Vietnam-related filmmaking, helped establish the pop-culture paradigm of the psycho Viet vet. And while "The Deer Hunter" (1978) showed the enemy as awful, it showed the war as still more awful. And that was also the message of "Apocalypse Now" (1979), "Platoon" (1986), "Full Metal Jacket" (1987), "Born on the Fourth of July" (1989), and "Casualties of War" (1989)—Vietnam was a bad trip. Even Sylvester Stallone's initial Rambo movie, "First Blood," released in 1982, was a maudlin tale of a victimized Vietnam vet.

It was not until 1985, a full decade after the fall of Saigon, that Hollywood retreated from defeatism. That was the year that the new muscles-bulging, guns-blazing, Vietnam-avenging Rambo appeared on scene and screen. And two decades after he mocked the Greatest Generation, Spielberg apotheosized it in "Saving Private Ryan" (1998). That film, along with another Spielberg effort for Home Box Office, "Band of Brothers" (2001), demonstrated that intense patriotism could be combined with equally intense realism.

So patriotic spirit is back, and America's got it. Even "Black Hawk Down," the story of the Pentagon's debacle in the streets of Mogadishu, Somalia, in October 1993, was reworked after Sept. 11 into tragic triumphalism in time for its release in December 2001.

But the shift from patriotic nationalism to post-patriotic internationalism had already begun with the globalization trend. "The Thin Red Line" (1998) was a film for Greens worldwide—the first

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environmentally correct war movie. And "Pearl Harbor" (2001) was pro-American; yet it was not anti-Japanese. The sneak-attackers were portrayed as simply playing for a different war-team; the film proved dissatisfying to Americans, but it played fine in Japan and in other places where Dec. 7 is just another un-infamous date. And perhaps that's one reason Hollywood will be turning the terrorist bad guys in Tom Clancy's novel *The Sum of All Fears* from Arabs into neo-Nazis.

Second, New World Order-ization. Films such as "Three Kings" (1999), "Rules of Engagement" (2000), and "Behind Enemy Lines" (2001) emphasized the quirky, quagmire-y reality of post-modern conflict, where brave Americans are damned, and sometimes doomed, by civilian commanders and overseers bearing law books, treaty documents, and TV cameras. In these movies, the conflict and combatants become befogged in quasi-war and nation-building.

To be sure, the terrorist attacks on our shores will unleash more America-adoring. But as Hollywood becomes ever more multinationalized, its product will likely become more multiculturalized, so that the minimum number of potential ticket-buyers, anywhere in the world, will take offense. That suggests more "war" movies such as "Gladiator" (2000), or even the forthcoming "Star Wars" installment, "Attack of the Clones." Such films might not get American blood stirring, but they keep planetary cash flowing—with no risk of a backlash.

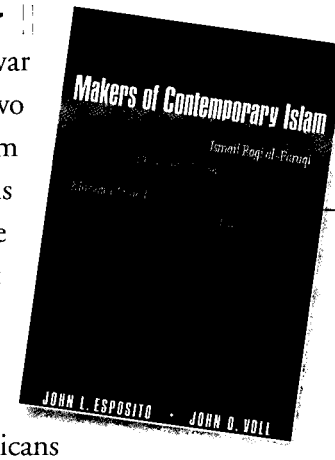
It would be a shame, of course, if Hollywood—with an eye to foreign audiences—continued to "diversify" history into a lowest-commercial-denominator goulash. If so, bottom-liners will have succeeded where the one-worlders failed. They will have turned the American City on a Hill into just another market-segment on the globe. ◆

James P. Pinkerton, a columnist for *Newsday*, is a former White House aide to Presidents Reagan and Bush. He is also a fellow at the New America Foundation.

Why we were surprised by 9/11

by **Jonathan Schanzer**

Militant Islam has been at war with America for more than two decades. Its attacks range from the 1979 Iranian hostage crisis and the 1983 Beirut Marine barracks bombing to the first World Trade Center attack in 1993 and the 1998 twin embassy explosions in East Africa. Why, then, were Americans so surprised by the horrors of Sept. 11?



MAKERS OF CONTEMPORARY ISLAM
by John L. Esposito and John O. Voll • Oxford University Press • 257 pp. • $18.95

A broad survey of books published prior to the attacks, including both academic studies and journalistic accounts, could provide some answers. Many authors and scholars of Islam minimized the global threat or simply refused to face reality. Some asserted that the threat was an exaggeration. Others argued that militant Islam was a scapegoat, as America searched for new post-Cold War foes. Some claimed that Islamism, the political outgrowth of the movement, was a stepping-stone to democracy.

In other words, militant Islam has quietly spawned a new generation of apologists. Their motivations are quite varied.

Journalist Milton Viorst, who once challenged the fact that Saddam Hussein had used gas against the Kurds in Iraq, is an example of a journalist whose views have faithfully followed in the footsteps of the ultra-liberal academics and some of the liberal press. In his book, *In the Shadow of the Prophet: The Struggle for the Soul of Islam* (Westview, 2001), he calls terrorism "a symptom" of social ailments and rebukes the West for its shallow understanding of Islam.

Some, like journalist Anthony Shadid, may have an agenda. Shadid's book, *Legacy of the Prophet: Despots, Democrats and the New Politics of Islam*, (Westview, 2001) often toes the party line of autocratic Middle East regimes.

Others, like John Voll and John Esposito, authors of *Makers of Contemporary Islam* (Oxford University Press, 2001), are ideologically driven. Esposito and Voll head up the Arab-funded Center for Christian-Muslim Understanding at Georgetown University. Their quest to find common ground for Christians and Muslims goes so far as to excuse religiously motivated violence and to justify intolerance. This brand of thinking has broadly influenced America's academicians and even the way American policymakers approach the Muslim world.

One theme common among many of today's apologists is praise for Hasan Al-Turabi, the inspiration behind the 1989 Muslim Brotherhood coup d'état in Sudan. In his heyday, Turabi ranked among the top exporters of Islamic terror, with ties to al Qaeda, Egyptian terror groups, and the radical mullahs of

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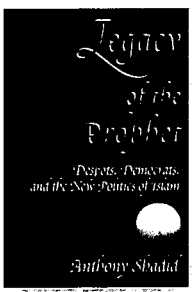
Why we were surprised by 9/11

Iran. He even invited Osama bin Laden to stay in Khartoum in the mid-1990s. Meanwhile, his government forced scores of Christians to convert to Islam in an ongoing civil war that has left tens of thousands of Christians dead.

As Donald Petterson, former U.S. ambassador to Sudan, wrote in his memoir, "The frequency of firsthand accounts from disparate sources in different parts of the country made a convincing case that efforts at forced Islamization were widespread" during Turabi's time in power.

Despite all this, Voll and Esposito call Turabi a "scholar," a "Muslim opponent of sectarian politics," and a believer in "the fundamental equality



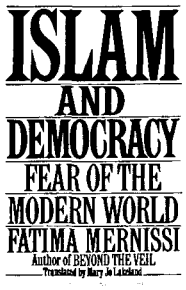
LEGACY OF THE PROPHET: Despots, Democrats, and the New Politics of Islam
by Anthony Shadid •
Westview Press •
352 pp. • $17.50

of men and women in Islam." Viorst lauds "Turabi's preference for a genial, non-rigorous, individualist Islam."

To his credit, Shadid, calls Turabi a "shrewd, devious politician." Still, he takes a soft stance on other dangerous militants.

Specifically, Shadid is an apologist for Hezbollah, the Iranian-funded militia in Lebanon that detonated a suicide bomb in October 1983, killing 241 Marines. Shadid lauds them for transforming "from militia to movement, running candidates in elections for parliament," and for providing "quality treatment at hospitals and clinics run by professionals."

He also legitimizes Palestinian Islamists for running "kindergartens, orphanages, sports clubs, and libraries." Shadid, however, fails to point out that these facilities also train children to



ISLAM AND DEMOCRACY: Fear of the Modern World
by Fatima Mernissi •
Perseus Press • 208 pp. •
$18.00

shoot AK-47s and teach songs about martyrdom in the name of Allah.

Finally, he claims, "The adolescence of yesterday's militants has yielded to the maturity of today's activists."

"Violence is on the wane," he adds erroneously, "despite the occasional outbursts."

In short, Shadid faults U.S. policy toward the Muslim world, as if radical Islam is somehow America's fault. He calls U.S. policy "dangerous and remarkably flawed ... The approach has helped bring about nearly two decades of enmity with Iran and conflict with Sudan."

Viorst follows suit. His anecdotes are excellent, based on extensive interviews, but he praises Sheik Muhammad Tantawi, the chief cleric for Egypt's Al-Azhar mosque, for trying to "soften Al-Azhar's Wahabbi-style message." Meanwhile, Tantawi has a history of offering a religious rationale for suicide attacks. In October 2000, he said it is "obligatory for the entire [Islamic world] to support [the Palestinians] in their jihad."

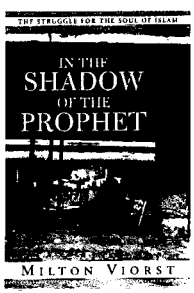
Similarly, Voll and Esposito's book is thoroughly researched and of high academic caliber, but it apologizes for radical Muslims. The authors label American Muslim convert Maryam Jameelah as a significant "maker of contemporary Islam," while recognizing her as both radical and marginal. She attacks Westernization as "the most pernicious and destructive force in the Muslim world," and for inducing "cultural schizophrenia," but the authors praise her for her "pioneering role as an activist Muslim intellect." There's also the Palestinian Ismail Ragi Al-Faruqi, who deplored the "despicable Western virus," and borrowed from the "spirit" of the Saudi radical Muhammad ibn Abd Al-Wahhab, but is somehow raised to "scholar-activist" status.

Indeed, the reader of Voll and Esposito's book must suffer through six apologist essays on radical figures who embody the problem—militant Islam—before arriving at three who represent a possible solution. The solution, of course, is a more moderate interpretation of Islam as envisioned by such figures as Iran's Abdolkarim Soroush, Indonesia's Abdurrahman Wahid, and Malaysia's Anwar Ibrahim.

Thankfully, Fatima Mernissi's book is a welcome departure from this morass of misinformation. *Islam and Democracy: Fear of the Modern World* (Addison-Wesley, 1992) unabashedly roasts Arab despots for fearing the changes that must occur if the Arab world is to blaze ahead, globalize, and defeat the radicalism that plagues the region today. She traces the roots of the backwardness that afflicts the Middle East with shocking honesty.

"Facing the militaristic, imperialist West," she writes, "Muslim nationalists were forced to take shelter in their past and erect it as a rampart ... [they] banned Western humanism as foreign and 'imported,' calling the intellectuals who studied it enemy agents and traitors to the nationalist cause."

At the same time, she notes, "They



IN THE SHADOW OF THE PROPHET: The Struggle for the Soul of Islam
by Milton Viorst •
Westview Press •
372 pp. • $17.50

committed themselves to the massive importation of weapons from the West."

Mernissi unequivocally states that Muslims must let go of their fears—past and present—to demilitarize, humanize, and perhaps even defeat militant Islam. After all, Islam and democracy do not

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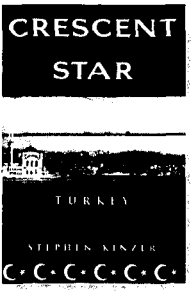
have to be incompatible.

Stephen Kinzer, a *New York Times* journalist, agrees. In his book, *Crescent & Star: Turkey Between Two Worlds* (Farrar, Straus, and Giroux, 2001), he notes that Turkey is on the precipice of fusing Islam with democracy. Admittedly, Kinzer's book is not about Islam, but it's significant in that Turkey's role in the war against militant Islam may prove crucial in coming years.

Indeed, Turkey has effectively defeated its radical Islamic opposition, secularized its population, and glob-



CRESCENT & STAR: Turkey Between Two Worlds
by Stephen Kinzer • Farrar Straus & Giroux • 272 pp. • $25.00

alized to the extent that it can. The problem now is that Turkey's military, the cornerstone of Turkish society since 1923, has micro-managed the country for too long, and therefore it cannot relinquish enough power for democracy to flourish. "The self-perpetuating elite this system has produced," writes Kinzer, "is highly resistant to change."

Still, with hard work and a little luck, Turkey might become the poster child for the world's only secular, Islamic democracy. When it does, it could become the only alternative voice to offset that of Osama bin Laden, al Qaeda, and millions of radical Muslims worldwide.

While Turkey should be viewed as a preferred model for a secular Islamic government, it may be more important to better understand—not whitewash—the regimes that still pose a threat to global security. It is to be hoped that more authors will now take a far more realistic look at the threat of radical Islam, and at those governments mired in systems that allow it to thrive. ●

Jonathan Schanzer is a research associate at the Middle East Forum, a Philadelphia-based think tank (www.meforum.org).

>> **EXCERPT**

Crescent & Star:

Turkey Between Two Worlds

by **Stephen Kinzer**

My favorite word in Turkish is *istiklal*. The dictionary says it means "independence," and that alone is enough to win it a place of honor in my language. It has special resonance in Turkey because Turkey is struggling to become independent of so much. It wants to break away from its autocratic heritage, from its position outside the world's political mainstream, and from the stereotype of the terrifying Turk and the ostracism which that stereotype encourages. Most of all, it is trying to free itself from its fears—fear of freedom, fear of the outside world, fear of itself. ...

No nation was ever founded with greater revolutionary zeal than the Turkish Republic, nor has any undergone more sweeping change in such a short time. In a very few years after 1923, Mustafa Kemal Atatürk transformed a shattered and bewildered nation into one obsessed with progress. His was a one-man revolution, imposed and steered from above. Atatürk knew that Turks were not ready to break violently with their past, embrace modernity and turn decisively toward the West, He also knew, however, that doing so would be the only way for them to shape a new destiny for themselves and their nation. So he forced them, often over the howling protests of the old order. ...

If Atatürk could return to see what has become of his nation, he undoubtedly would be astonished at how far it has come. Muddy villages have become bustling cities and cow paths have become superhighways. Universities and public hospitals are to be found in even the most remote regions. The economy is unsteady but shows bursts of vitality. Turkish corporations and business conglomerates are making huge amounts of money and competing successfully in every corner of the globe. Hundreds of young men and women return home every year from periods of study abroad. People are educated, self-confident and eager to build a nation that embodies the ideals of democracy and human rights.

The ruling elite, however, refuses to embrace this new nation or even admit that it exists. Military commanders, prosecutors, security officers, narrow-minded bureaucrats, lapdog newspaper editors, rigidly conservative politicians and other members of this sclerotic cadre remain psychologically trapped in the 1920s. They see threats from across every one of Turkey's eight borders and, most dangerously, from within the country itself. In their minds Turkey is still a nation under siege. To protect it from mortal danger, they feel obliged to run it themselves. They not only ignore but actively resist intensifying pressure from educated, worldly Turks who want their country to break free of its shackles and complete its march toward the democracy that was Atatürk's dream.

This dissonance, this clash between what the entrenched elite wants and what more and more Turks want, is the central fact of life in modern Turkey. It frames the country's great national dilemma. Until this dilemma is somehow resolved, Turkey will live in eternal limbo, a half-democracy taking half-steps toward freedom and fulfilling only half its destiny. ◆

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How Americans feel about

The economy, taxes, and the budget

Americans are conflicted on fiscal policy. While wary of the president's tax cuts in uncertain times, they still trust Republicans on economic issues.

by **Mark J. Penn**

Do voters want what they say they want? The national electorate is clearly conflicted on fiscal policy, according to the latest BLUEPRINT poll. Continuing the rollout of the Bush tax cuts gives voters serious pause, in light of budget deficits emerging where surpluses once prevailed. Yet despite this, voters still tilt decidedly toward Republican leadership on economic issues, do not see tax cuts as the primary cause of deficits despite the real facts on the ground, and believe Democrats want to raise taxes. All this suggests that Democrats have a ways to go in making their case if they want to cast the Bush tax cuts as a central issue in a comeback strategy.

The national poll was conducted Jan. 24-26 among 500 registered voters (margin of error 4.5 percent, larger for subgroups).

In the poll, voters say they are prepared to roll back the tax cuts President Bush pushed through Congress last year so the country can meet its post Sept. 11 needs without making budget cuts. At the same time voters place their trust in President Bush and the Republicans rather than Democrats on the issues of economic growth and fiscal responsibility. Meantime while voters are somewhat ambivalent about the president's tax-cutting strategy for economic growth, they also do not see any clear-cut Democratic alternative.

Despite surface support for rolling back the tax cuts in general, or just those that apply to the wealthiest Americans, recent election history raises a red flag if Democratic candidates are perceived as favoring tax increases. And even though voters do not believe postponing or repealing the tax cuts is the same as raising taxes, this poll also shows that Democrats remain susceptible to the "tax raiser" label. The Republican argument that a rollback is in essence a tax increase could gain strength with voters in a real contest, because voters assign greater credibility to Republicans than to Democrats on the issues of taxes, fiscal policy, and getting the economy growing again.

Mark J. Penn is president of Penn, Schoen and Berland Associates Inc., and was pollster to President Clinton. Research and polling assistance provided by **Jay Leveton**.

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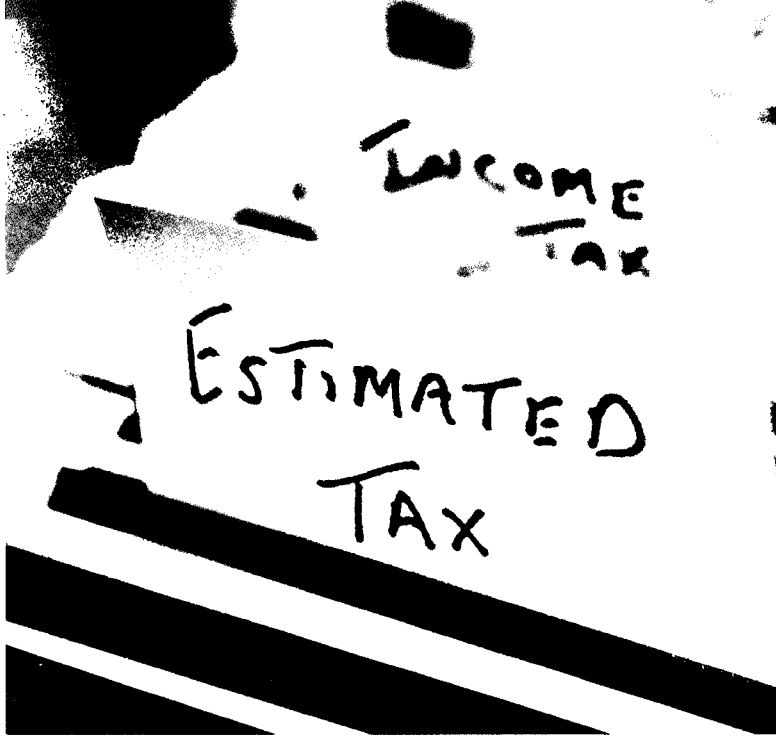

TAX TIME: Most Americans will barely feel the benefits of the tax cuts. Yet Republicans have argued that rolling back tax cuts would be the same as raising taxes.

Finally, when asked if they expect Democrats to raise taxes if they take control of both chambers of Congress, a majority of voters (56 percent) say they do—a view that would be strongly reinforced should Democrats push now to roll back the Bush tax cuts.

What Democrats should do is keep reminding voters that Bush inherited a surplus and is plunging the country back into deficits. This course threatens to slow the economic recovery and, by expanding rather than reducing the national debt, threatens to handicap our ability to meet the baby boom retirement challenge.

Republicans need to be careful on their end as well, since voters do not support further tax cuts during this time of deficits. Nearly seven in 10 voters, including a majority of Republicans, believe it is better to hold off on further tax cuts. In a follow-up question, 77 percent of voters expressed concern (50 percent strong concern) that the deficit could trigger cuts in domestic spending priorities. However, less than a majority of voters (47 percent) fears that if Republicans took over control of the Congress they would try to cut funding from important priorities. Moreover, voters are dubious about the impact of tax cuts on spurring the economy, with a plurality (40 percent) saying they have had no effect.

Other poll findings:

- ✓ When asked directly, a plurality of voters and almost a majority of swing voters trust both President Bush and the Republicans in Congress to handle the nation's economy. A majority of voters believe Bush and the Republicans have an economic plan, pointing to tax cuts. While almost half of voters (47 percent) believe Democrats have an economic plan, almost none can cite a specific policy proposal.
- ✓ Voters believe the war on terrorism and the economic recession are the main causes for the federal budget deficit, not the Bush tax cuts.
- ✓ Voters are looking for Washington to promulgate a long-term economic strategy that will bring back the economic expansion of the 1990s. However, they are split over whether the Democratic or Republican plan as described in the poll is the best course.
- ✓ The Republican advantage on issues related to security and combating terrorism has grown since last November. The main Democratic advantages over the president are on the environment, Social Security, Medicare, and expanding health care coverage. On the critical issue of who can improve the economy, the president and Republicans are preferred, but that margin is essentially unchanged since November.

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The Poll

Mood of the Country

Voters are still very positive about the mood of the country, in large part due to the success of the war in Afghanistan and the lack of further terrorist attacks at home. Despite the recession, voters feel only slightly negative about the economy. Women and Democratic voters feel much more negative.

Q. Do you think that things in the country are headed in the right direction or are they off on the wrong track?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
56/26	62/24	50/28	44/36	76/14	52/27	57/24

Q. Do you think our economy is on the right track or off on the wrong track?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
40/47	48/43	33/50	24/61	55/33	45/44	41/46

Party Attributes

Q. Now I am going to read a list of issues. For each, please tell me who you trust to handle that—President Bush or the Democrats in Congress?

	Jan. 2002		Nov. 2001	
	ALL DEM MARGIN	SWING DEM MARGIN	ALL DEM MARGIN	SWING DEM MARGIN
Protecting the environment	+28	+28	+29	+41
Strengthening Medicare	+26	+26	+19	+28
Expanding health care coverage	+26	+21	+17	+29
Strengthening Social Security	+11	+5	+15	+20
Energy policy	+4	-12	+13	+27
Working for gun safety	+13	+13	+10	+5
Improving education	-9	-19	-1	-10
Moving people from welfare to work	-2	0	-6	-6
Preparing all Americans for the New Economy	-16	-29	-13	-27
Getting the economy growing again	-14	-29	-14	-20
Maintaining fiscal discipline	-16	-27	-15	-23
Asking people to give something back to their country	-17	-31	-22	-25
Fighting crime	-23	-39	-26	-30
National security	-57	-70	-43	-46
Fighting terrorism	-58	-65	-48	-57
Protecting America from terrorist attack	-58	-69	-56	-58
Strengthening the military	-57	-73	-60	-62

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Q. Now I am going to read a list of issues. For each, please tell me who you trust to handle that issue, Democrats or Republicans in Congress?

	Jan. 2002		Nov. 2001	
	ALL DEM MARGIN	SWING DEM MARGIN	ALL DEM MARGIN	SWING DEM MARGIN
Protecting the environment	+32	+40	+36	+40
Strengthening Medicare	+20	+19	+28	+42
Expanding health care coverage	+23	+16	+25	+32
Strengthening Social Security	+2	-2	+18	+17
Working for gun safety	+9	+14	+8	+8
Energy policy	+10	0	+5	-3
Maintaining fiscal discipline	-14	-48	-9	-14
Getting the economy growing again	-6	-18	-8	-13
Improving education	+8	+3	+1	+7
Preparing all Americans for the New Economy	-8	-15	+1	+1
Moving people from welfare to work	-6	-9	-3	-4
Asking people to give something back to their country	+6	+1	-5	-2
Fighting crime	-12	-23	-13	-10
National security	-35	-52	-24	-24
Protecting America from terrorist attack	-40	-56	-28	-34
Fighting terrorism	-33	-45	-30	-36
Strengthening the military	-44	-68	-37	-43

Politics of the Economy

By a small margin, voters trust President Bush to handle the nation's economy; however, that margin expands with independent and swing voters. In addition, after giving voters the Bush administration's record on the economy, Democrats only tie Bush.

Q. Who do you trust to handle the nation's economy, President Bush or Democrats in Congress?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
47/40	53/35	42/45	19/75	88/5	44/35	47/32

Before President Bush took office, the country was experiencing the fastest economic growth and the first budget surplus in a generation and the lowest unemployment rate in history. Since Bush has taken office, the economy has entered a recession, the trillion-dollar surplus is now a serious deficit, and 1.4 million people have lost their jobs—pushing the unemployment rate to its highest point in almost 10 years.

Q. Given this, who do you trust to handle the nation's economy, President Bush or Democrats in Congress?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
46/44	56/35	36/52	17/79	87/5	43/40	45/39

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More voters believe that President Bush and the Republicans have a plan for lifting the country out of the recession and that the GOP has successfully driven its message of tax cuts as their primary remedy. While more voters think Democrats have a plan than not, the party has only highlighted the fact that there is a budget deficit, and voters are unable to point to a specific policy prescription they have put forward.

Q. Do you think Democrats in Congress have an economic plan to bring the country out of recession or not?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
47/37	45/41	49/33	67/19	30/52	43/43	43/38

Q. IF YES: What is that plan?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
Swing Deal with the budget deficit	11	11	11	15	5	9	12
Tax cuts	10	11	9	10	12	10	9
Tax increases	5	5	6	5	7	5	8
Lower interest rates	5	6	5	9	0	3	4
Government spending increases	3	7	0	3	4	3	5
Expand new markets abroad	3	6	0	4	5	2	4
Lower energy costs	2	2	3	4	0	2	0
Other	18	17	19	21	5	21	12
Don't know (vol.)	41	35	47	30	62	46	45

Q. Do you think President Bush and the Republicans in Congress have an economic plan to bring the country out of recession or not?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
54/34	58/35	49/34	35/54	80/11	52/35	56/31

Q. IF YES: What is that plan?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
Tax cuts	25	36	13	20	32	21	18
Lower interest rates	7	8	7	10	8	5	6
Deal with the budget deficit	5	6	5	7	6	4	6
Tax increases	3	1	4	4	2	4	2
Expand new markets abroad	3	4	3	1	4	4	4
Lower energy costs	2	1	2	5	1	0	1
Government spending increases	1	2	1	3	2	0	1
Other	12	11	13	13	12	10	15
Don't know (vol.)	41	31	52	37	33	52	47

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While voters are optimistic that the economy will pick up in the near future, they are split on the effect the Bush tax cuts have had on the economy, with a plurality (40 percent) saying they have had no effect.

Q. In the next few months to a year, do you think the economy will pick up, slow down further or stay about the same as it is now?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
Pick up	56	59	53	43	70	56	58
Slow down further	13	9	16	18	5	13	10
Stay about the same as it is now	28	27	28	33	24	27	30

Q. Do you think that President Bush's tax cuts, passed by Congress last year, have made the economy better, worse, or had no effect on it?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
Better	25	29	22	14	44	22	25
Worse	24	17	31	44	4	22	24
Had no effect on it	40	49	32	32	39	47	41

Economic Strategy

Voters are clearly taking the long-term view on the economy and want a coherent strategy that will foster the growth that was experienced in the 1990s.

Q. Do you think the country needs a short-term stimulus plan to jumpstart the economy now or do you think the country should be concentrating on a long-term plan to lay the groundwork for an economic expansion like we experienced in the 1990s?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
26/63	29/64	23/63	30/63	25/65	22/64	21/68

In a serious warning sign for Democrats, the successful economic formula of the Clinton administration has lost public support among independent and swing voters when compared with the current administration's tax cut-oriented solution.

Q. Do you prefer an economic strategy that restores fiscal discipline to the budget, opens new markets to American goods and services, supports innovation and technology, creates a new system of lifelong learning, and shores up Social Security and Medicare. Or do you prefer an economic strategy that cuts taxes to spur economic growth, opens new markets to American goods and services, and keeps the federal government small to allow the free market to work by putting money in the hands of investors and entrepreneurs to keep the private sector strong?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
44/41	37/51	51/32	63/22	27/56	41/46	42/44

Tax Cuts

Voters strongly favor holding off on new tax cuts in order to avoid worsening the deficit, but they also favor implementation of the cuts already passed.

Q. Do you think it is more important to pass additional tax cuts to stimulate the economy now? Or do you think it is better to hold off on tax cuts to make sure that the budget does not go into a deeper deficit?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
24/69	30/63	18/75	16/79	35/56	21/72	21/73

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A near-majority of voters opposes rolling back the tax cuts given the need for increased government spending.

Q. Given recent events and the need for new government spending, do you think the tax cuts that have not been phased in yet should be rolled back, or do you think they should be left in place?

ALL	MALE	FEMALE	DEM	REP	IND	WING
35/49	33/54	37/44	45/40	20/62	38/47	36/46

While voters generically do not believe postponing or repealing the tax cuts is equivalent to raising taxes, the poll also shows (see below) that they believe Democrats will seek to raise taxes if they control Congress, making such a stance politically dangerous given recent election trends.

Q. Do you think any postponing or repeal of the tax cuts that passed last year would be raising taxes or do you think postponing or repealing the tax cuts is the fiscally responsible thing to do since the budget is headed for its first deficit in years?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
27/55	30/52	24/58	19/67	37/43	28/53	21/57

Q. The tax cut legislation phases in over a 10-year period. So far, only a small portion has taken effect. Do you favor or oppose keeping the middle class tax cuts but postponing the tax cuts targeted at the top 2 percent of income earners that have not been phased in yet, to keep the federal budget in balance?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
56/32	60/34	52/30	60/29	50/38	57/30	57/31

While female and Democratic voters are strongly in favor of postponing the second wave of tax cuts, male, independent, and swing voters are much more split.

Q. In the next two years, $160 billion of the tax cut will take effect. Do you think those tax cuts should be postponed to balance the budget, or do you think they should be allowed to take effect?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
51/40	47/47	55/33	70/24	32/59	49/40	47/43

When asked if the next round of tax cuts should go forward before reevaluating the budget situation, a majority of male, independent, and swing voters agree. Female voters are split.

Q. Do you think these tax cuts should be delayed now to balance the budget, or do you think these tax cuts should go forward and then we should reevaluate the federal budget situation once those two years are up?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
41/50	36/57	46/43	56/32	20/71	43/51	40/51

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Budget Deficit

Voters believe the war on terrorism and the economic recession are the main causes of the budget deficit this year and in future years, despite the fact that the Congressional Budget Office has shown that the tax cut is the main drain on the budget in the coming years. This is true among all demographic groups.

Q. Which of the following do you think is the main cause of the federal budget going into deficit this year?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
The war on terrorism	46	44	48	44	46	46	50
The tax cut that passed last year	11	10	13	18	6	10	10
The economic recession	33	38	29	26	39	36	33

Q. Which of the following do you think is the main cause of the federal budget going into deficit until 2005?

	ALL	MALE	FEMALE	DEM	REP	IND	SWING
The war on terrorism	40	37	42	38	37	42	43
The tax cut that passed last year	13	14	12	19	5	14	13
The economic recession	36	38	34	31	44	35	35

Politics of the Federal Budget

Voters are very concerned that a budget deficit will cause cuts in important domestic spending priorities. However, when asked which party would go too far (Republicans cutting programs or Democrats raising taxes), a majority of voters say Democrats would most likely raise taxes now that there are deficits. Even a near-majority of Democrats thinks so.

Q. Are you concerned or unconcerned that the presence of a federal deficit will cause severe cuts in areas like education, health care, and the environment, and delay important initiatives like a prescription drug benefit for Medicare recipients?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
77/20	68/28	85/12	89/9	61/36	78/18	79/19

Q. Now that we have a budget deficit, do you think that if Republicans control Congress they could try to cut Medicare, education, and the environment, or not?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
48/41	41/44	52/38	72/21	21/63	46/41	44/40

Q. Now that we have a budget deficit, do you think that if Democrats control Congress they would try to raise taxes, or not?

ALL	MALE	FEMALE	DEM	REP	IND	SWING
56/31	59/30	52/32	44/45	69/21	55/27	59/27

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The idea primary

The new rules adopted in January by the Democratic National Committee will make it likely that Democrats will settle on their presidential nominee earlier than ever. But by creating an accelerated, front-loaded timetable for the 2004 primaries and caucuses, they could also undermine the process that allows the strongest candidate to emerge.

Under the new party rules, the Iowa caucuses and the New Hampshire primary will take place in January 2004. After February 3, any state can hold its primary or caucus. That's five weeks earlier than in 2000, and it's likely that several states will move up their primary dates. The nominee could be chosen as early as mid-February 2004. The nominating contest could be over before the voters begin to pay serious attention to it.

In fairness, DNC Chairman Terry McAuliffe's hands were tied. The Republicans—eager to re-nominate President Bush quickly—compressed their schedule. For Democrats in a number of states, scheduling separate primaries means spending money they don't have.

Some political operatives like a shortened primary process. They believe long, hard-fought primary battles weaken the party for the general election in the fall. I don't.

No doubt the primary process is grueling for the candidates. That's good. It tests their endurance and their political, organizational, and intellectual skills as well—all qualities they need to be president.

A longer primary season serves the voters, too. It gives them a chance to correct mistakes—to change their minds when they see how the candidates perform over time and under pressure. A shortened process favors early momentum. Not so if the primaries are stretched out. Ask Gary Hart, Pat Buchanan, Paul Tsongas, and John McCain. They all won the New Hampshire primary but lost their party's nomination. Our last two presidents, Bill Clinton and George W. Bush, both lost the New Hampshire primary but came back to win the nomination.

In addition to choosing a candidate, the nominating process serves another vital role in our democracy. It defines our political parties. Unlike in a parliamentary system, we don't have party conferences where the party faithful set party policy. Our parties are defined by the philosophy and ideas of our nominees.

In 1980, for example, when Republicans chose Ronald Reagan and his conservative agenda of big tax cuts, cultural conservatism, anti-government rhetoric, and increased military spending, they set a policy course for their party that has defined Republican conservatives ever since.

Twelve years later, Bill Clinton challenged party orthodoxy with a set of New Democrat ideas, developed at the Democratic Leadership Council (DLC) and refined during the primary campaign. When he won the nomination, his agenda of growth-oriented economics, fiscal discipline, work over welfare, national service, reinventing government, and community policing redefined the Democratic Party for the Information Age.

Since there is no serious debate at our party conventions—and our platforms are anything but binding—the primaries are the one time that we can have a serious debate among candidates who represent competing philosophies and ideas. We need a vigorous idea debate during the presidential primaries for our democracy to remain dynamic. A truncated, compressed primary schedule will make that debate unlikely after the primaries begin. So it should start right now. During the coming 22 months, party leaders, including the potential candidates, should be encouraged to discuss their ideas, individually and collectively, at forums and debates across the country. Elected and party leaders should demand a real debate over the party's direction.

In short, the period before any votes are actually cast should be viewed as an "idea primary"—a period in which new thinking is injected into the political debate.

The DLC can do its part by generating new ideas and discussing them in our publications and at forums like the National Conversation. Other organizations should do the same.

The alternative is for the first primary to become the money and endorsement primary. That's good for the powerbrokers and the interest groups, but it leaves the voters with little basis for making their choices and little voice in their party's direction. Raising money and seeking endorsements may be important, but they are hardly the ways for our candidates to prepare to lead and govern our nation.

If we care about the future of the Democratic Party—and the strengthening of our democracy—we should insist that the first primary be the idea primary. The candidates, the party and our country would all be better for it. ◆

Al From is founder and CEO of the Democratic Leadership Council.

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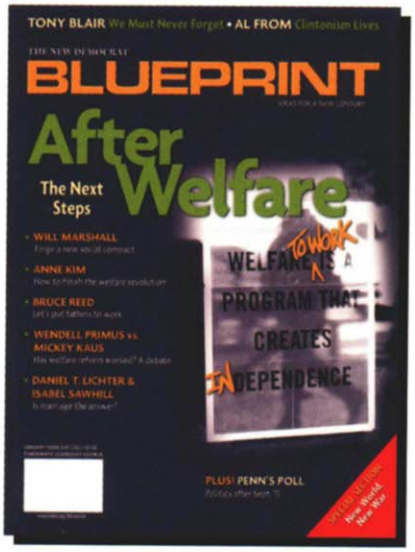
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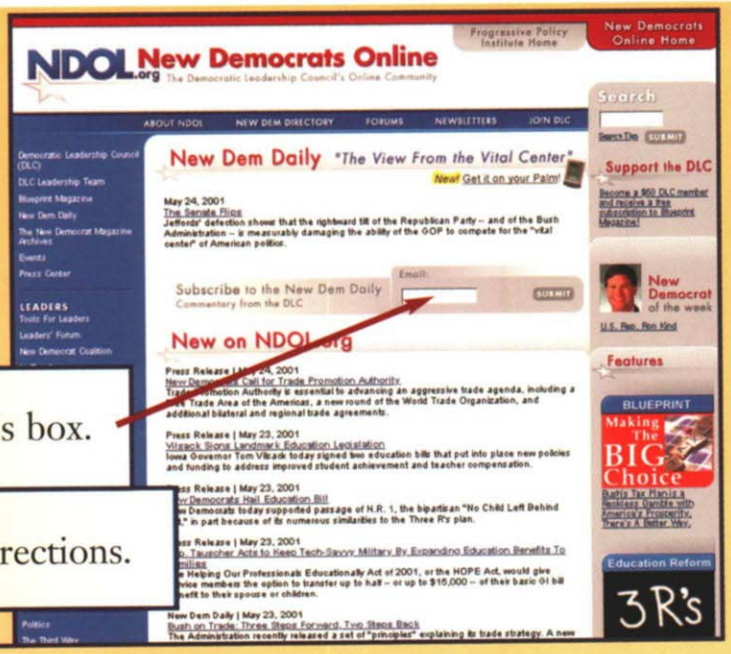

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